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HOUSE OF REPRESENTATIVES

REPORT
No. 98-527

CHILD SUPPORT ENFORCEMENT AMENDMENTS OF 1983

NOVEMBER 10, 1983.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. ROSTENKOWSKI, from the Committee on Ways and Means, submitted the following

REPORT

[To accompany H.R. 4325]

[Including cost estimate of the Congressional Budget Office]

The Committee on Ways and Means to whom was referred the bill (H.R. 4325) to amend part D of title IV of the Social Security Act to assure, through mandatory income withholding, incentive payments to States, and other improvements in the child support enforcement program, that all children in the United States who are in need of assistance in securing financial support from their parents will receive such assistance regardless of their circumstances, and for other purposes, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

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The amendments (stated in terms of the page and line numbers of the introduced bill) are as follows:

In the table of contents on page 2, strike out the item relating to section 16 and insert in lieu thereof the following:

Sec. 16. Inclusion of medical support in child support orders.
Sec. 17. Increased availability of Federal parent locator service to State agencies.

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Sec. 18. Extension of eligibility under title XIX when support collection results in termination of AFDC eligibility.
Sec. 19. General effective date.

Page 5, lines 19 and 20, strike out "(under applicable State paternity laws)".

Page 6, lines 2 and 3, strike out "past-due" and insert in lieu thereof "overdue".

Page 7, line 3 after "agency" insert "or other entity".

Page 8, lines 2 and 3, strike out "portion thereof which represents arrearages" and insert in lieu thereof "amounts to be withheld to satisfy arrearages".

Page 14, lines 10 and 11, strike out "average support collections, and any other actual or estimated data which" and insert in lieu thereof "and average support collections, and such other actual data or estimates as".

Page 18, lines 8 and 9, strike out "the dollar amount" and insert in lieu thereof "125 percent of the dollar amount".

Page 20, lines 3 and 4, strike out "participates" and insert in lieu thereof "participate".

Page 20, lines 20 through 23, strike out "as in effect prior to such amendment (in connection with the administration of the State's child support enforcement plan approved under section 454 of such Act)".

Page 22, line 17, strike out "7(a)" and insert in lieu thereof "6(a)".

Page 22, line 23, strike out "1984" and insert in lieu thereof "1985".

Page 24, lines 17 and 18, strike out "Effective upon the enactment of this Act, section" and insert in lieu thereof "Section".

Strike out line 19 on page 28 and all that follows down through line 7 on page 33 and insert in lieu thereof the following:

MODIFICATIONS IN CONTENT OF SECRETARY'S ANNUAL REPORT

SEC. 12. (a) Section 452(a)(10) (C) of the social security Act is amended—

(1) by inserting "(i)" immediately after "(C)"; and

(2) by adding at the end thereof the following new clause:

"(ii) the payment status of all active child support cases in each State at the time the report is submitted (with a separate description of those cases which are interstate in nature), as more particularly set forth in subsection (f);".

(b) Section 452 of such Act is further amended by adding at the end thereof the following new subsection:

"(f)(1) The information with respect to active child support cases in each State which is required by subparagraph (C) (i) of subsection (a)(10) to be contained in any report submitted under such subsection shall specifically include the following, separately stated for each of the 12 categories of cases specified in paragraph (2):

"(A)(i) The total number of such child support cases (filed with the State agency of such State under this

PART) in which the full amount of the support obligation has been paid for all months in the particular fiscal year to which the report relates, with the amounts of the support obligations involved in those cases;

"(ii) the total number of such cases in which at least 90 percent but less than the full amount of the support obligation has been so paid, with the amounts of the support obligations established and support collections made in those cases;

"(iii) the total number of such cases in which at least 66⅔ percent but less than 90 percent of the support obligation has been so paid, with the amounts of the support obligations established and support collections made in those cases;

"(iv) The total number of such cases in which at least 33⅓ percent but less than 66⅔ percent of the support obligation has been so paid, with the amounts of the support obligations established and support collections made in those cases;

"(v) the total number of such cases in which some but less than 33⅓ percent of the support obligation has been so paid, with the amounts of the support obligations established and support collections made in those cases; and

"(vi) the total number of such cases in which no part of the support obligation has been paid, with the amounts of the obligations involved in those cases; and

"(B) the number of such child support cases (filed with the State agency of such State under this part), in each of the six subclasses described in clauses (i) through (vi) of subparagraph (A) within each of such categories, which were filed in such State on behalf of children residing in another State or against parents residing in another State in the particular fiscal year to which the report relates, specifying (for each such subclass)—

"(i) the total number of such cases which were initiated in the State of filing, with the amounts of the support obligations established and support collections made in those cases,

"(ii) the number of such cases which were initiated in another State (identifying each such State by name) in which State of filing was requested to take action to establish paternity, obtain support obligations, or collect support,

"(iii) the number of the cases described in clause (ii) in which action was taken in response to the request, and

"(iv) the actions (described in clause (ii)) which were so taken.

Such information shall also include any other matter which the Secretary may deem necessary for an effective

assessment of the current status of interstate child support collections.

"(2) The categories of child support cases (filed with the State agency of a State under this part) with respect to which information is to be provided in the report, under subparagraphs (A) and (B) of paragraph (1), shall include—

"(A) four categories of cases in which the support rights involved are assigned to the State under section 402(a)(26) and in which the child is currently receiving aid to families with dependent children, as follows:

"(i) all such cases in which a support obligation has been established,

"(ii) all such cases in which a new or increased support obligation was so established during the particular fiscal year to which the report relates,

"(iii) those cases described in clause (i) in which support was collected under this part during such fiscal year, and

"(iv) those cases described in clause (ii) in which support was collected under this part during such fiscal year;

"(B) four categories of cases in which the support rights involved are assigned to the State under section 402(a)(26) but in which the child is not currently receiving aid to families with dependent children, as follows:

"(i) all such cases in which a support obligation has been established.

"(ii) all such cases in which a new or increased support obligation was so established during the particular fiscal year to which the report relates,

"(iii) those cases described in clause (i) in which support was collected under this part during such fiscal year, and

"(iv) those cases described in clause (ii) in which support was collected under this part during such fiscal year; and

"(C) four categories of cases to which neither subparagraph (A) nor subparagraph (B) applies, as follows:

"(i) all such cases in which a support obligation has been established,

"(ii) all such cases in which a new or increased support obligation was so established during the particular fiscal year to which the report relates,

"(iii) those cases described in clause (i) in which support was collected under this part during such fiscal year, and

"(iv) those cases described in clause (ii) in which support was collected under this part during such fiscal year.".

(c) The amendments made by this section shall apply with respect to reports (under section 452(a)(10) of the Social Security Act) for fiscal years beginning on or after October 1, 1986.

Page 35, before the period in line 21, insert the following: "; except that costs incurred by such a Commission or its members for transportation within the State, and such other costs incurred by the Commission or its members as may be specifically allowed by the Secretary in regulations, shall be considered for purposes of section 455(a)(1) of the Social Security Act to be expenditures for the operation of the State's plan approved under section 454 of such Act".

Page 38, line 4, strike out the period and insert in lieu thereof a comma.

Page 39, after line 2, insert the following new section:

INCLUSION OF MEDICAL SUPPORT IN CHILD SUPPORT ORDERS

SEC. 16. The Secretary of Health and Human Services shall issue regulations to require that State agencies administering the child support enforcement program under part D of title IV of the Social Security Act petition for the inclusion of medical support as part of any child support order whenever health care coverage is available to the absent parent at a reasonable cost. Such regulations shall also provide for improved information exchange between such State agencies and the State agencies administering the State medicaid programs under title XIX of such Act with respect to the availability of health insurance coverage.

Page 39, after line 2, insert the following new section:

INCREASED AVAILABILITY OF FEDERAL PARENT LOCATOR SERVICE TO STATE AGENCIES

SEC. 17. Section 453(f) of the Social Security Act is amended by striking out ", after determining that the absent parent cannot be located through the procedures under the control of such State agencies,".

Page 39, after line 2, insert the following new section:

EXTENSION OF ELIGIBILITY UNDER TITLE XIX WHEN SUPPORT COLLECTION RESULTS IN TERMINATION OF AFDC ELIGIBILITY

SEC. 18. Section 406 of the Social Security Act is amended by adding at the end thereof the following new subsection:

"(h) Each dependent child, and each relative with whom such a child is living (including the spouse of such relative as described in subsection (b)), who becomes ineligible for aid to families with dependent children as a result (wholly or partly) of the collection or increased collection of child or spousal support under part D, and who has received such aid in at least three of the six months immediately preceding the month in which such ineligibility begins, shall be deemed to be a recipient of aid to families with dependent children for purposes of title XIX for an additional four calendar months beginning with the month in which such ineligibility begins.".

Page 39, line 4, strike out "Sec. 16." and insert in lieu thereof "Sec. 19.".

I. Summary Explanation of H.R. 4325: The Child Support Enforcement Amendments of 1983

I. STATEMENT OF PURPOSE FOR THE TITLE IV–D CHILD SUPPORT ENFORCEMENT (CSE) PROGRAM

A "Purpose" section would be added stating that assistance in obtaining support be made available to all AFDC and non-AFDC children for whom such assistance from the IV–D program is requested. (Report language will make clear that this has always been the intent of the IV–D program.)

II. STATE REQUIREMENTS

The following requirements would be effective October 1, 1985; however, if the State can show with detailed evidence that any of the requirements in A through H below would not be effective or efficient in that State, the Secretary may waive that requirement for a specified period of time.

A. Income withholding

1. (a) In the case of any noncustodial parent against whom a support order is or has been issued in the State, whenever child support arrearages occur (or earlier at State option), the State must provide for the withholding of wages for AFDC and non-AFDC IV–D cases, or for anyone who applies for IV–D services in order to initiate withholding, under conditions and procedures established in accordance with the requirements summarized in 2–10 below. (b) The amount withheld, subject to Consumer Credit Protection Act limitations, must be the amount of current support that is owed, plus any arrearages (the amount withheld for arrearages may be subject to limitations provided under State law), plus a fee (the amount to be established by the State) to be paid to the employer.

2. Withholding must begin when the arrearage reaches an amount equal to one month of support payments. A State may begin withholding at some earlier point; and must begin withholding earlier if requested by the absent parent.

3. (a) The initiation of withholding procedures must be automatic in the case of IV–D (AFDC and non-AFDC) cases that meet the conditions summarized below, and can be triggered for other families by the obligee filing an application for services with the IV–D agency. (b) The execution of withholding orders must occur without the need for amendment of the support order.

4. The withholding of income for child support payments must be administered by a public agency designated by the State (such as the IV–D agency). The State may establish or allow procedures which provide for the collection from employers of withheld support payments and disbursement to obligee families through other than a public agency, so long as such procedures are publicly accountable, allow prompt disbursement, and permit the keeping of records to monitor and document the payment of support.

5. (a) The obligor must get prior notice of withholding action and notification of procedures to be followed to contest the proposed withholding because of mistakes of fact; and the notification and other procedures must comport with the due process procedures of the State. (b) The final decision as to whether or not withholding will occur must be made no later than 30 days after the date the obligor parent is notified of proposed income withholding actions.

6. Employers of individuals for whom withholding proceedings have been established, upon receiving proper notice from the State to begin withholding for child support payments (which must be a separate document containing no information other than the amount to be withhheld and the amount of the fee to be retained by the employer, or other information necessary for the employer to comply with the withholding order), must be (a) required to withhold from wages and forward to the appropriate agency (or comply with state approved alternative procedures summarized in II.A.(5) above) the amount specified in the notice plus a fee to be paid to the employer (unless any such fee is waived by the employer); (b) allowed to combine all amounts witheld from employees for child support into one check to the appropriate agency, and otherwise simplify the withholding process; (c) held liable to the State (on behalf of the State in AFDC cases and on behalf of the obligee in non-AFDC cases) for any amount they fail to withhold, and (d) subject to a fine if an employee is discharged from employment, refused employment or subjected to disciplinary action because of withholding for child support even if there are other withholdings for the same employee for other purposes.

7. Withholding for child support payment must take priority over any legal process against the same wage.

8. Wages must be subject to withholding; and, the State may make other income subject to withholding, such as, but not limited to, commissions and bonuses, retirement benefits, pensions, workers compensation, dividends, royalties and trust accounts.

9. The state must make provision for withholding on interstate cases.

10. There must be provision for terminating withholding.

11. All child support orders issued or modified in the State after October 1, 1985 must include provision for withholding of wages if arrearages occur. Withholding must be applied under the conditions and procedures established by the State for cases that are not IV-D cases in accordance with the requirements and procedures summarized in items 1-10 above for IV-D cases.

B. Procedures to improve establishment of, compliance with, and enforcement of court order

States must make reasonable efforts to expedite and otherwise improve the establishment of, compliance with, and enforcement of obligations resulting from a court or administrative order. States should make reasonable efforts to reduce adversary nature of support proceedings; to achieve better understanding and communication between obligee and obligor regarding the support obligation and visitation rights, agreements and arrangements (in order to obtain greater assurance of compliance with all obligations, rights and agreements arising under or related to the court or adminis-

trative order); to reduce court backlogs so that support decisions can be made promptly.

C. State income tax refund offsets

States that have State income taxes must provide for the withholding of any State tax refund payable to a non-custodial parent who owes past-due child support payments. These tax refund withholding procedures must be applicable to AFDC and, at the option of the State, to non-AFDC cases and must be used for interstate as well as intrastate cases. The obligor must get prior notice of the proposed offset and notification of procedures to be followed to contest the amount of past-due support; and the offset procedure must comport with the due process procedures of the State.

D. Liens against property

States must establish procedures for imposing liens against both real and personal property for amounts of past-due support owed by a State resident or an individual who owns such property in the State.

E. Paternity statute of limitations

State paternity laws must permit the establishment of paternity for both AFDC and non-AFDC children until a child's 18th birthday.

F. Imposition of security or bond

States must provide for the imposition of security, a bond, or other guarantee to secure payment in the case of absent parents who have a pattern of past-due support payments. The obligor must get prior notice and notification of procedures to be followed to contest the proposed security or bond; the procedure must comport with the due process procedures of the State.

G. Providing information on past-due support to credit agencies

States must make available to consumer credit agencies, at the request of such agencies, information regarding child support arrearages. The State must make available information on arrearages in excess of $1,000 and may make available information on smaller arrearages. The obligor must receive prior notice of the release of such information which indicates the procedures to be followed to contest the proposed release of information. The notification and procedures for contesting the proposed release of information to credit agencies must comport with the due process procedures in the State. The State may charge a fee to the credit agencies who request and receive this information which cannot exceed the cost to the State of providing the information.

H. Tracking and monitoring support payments

When a State has instituted the income withholding requirements and procedures, and established the public agency or alternative publicly accountable procedures that will administer income withholding, summarized in II(A) above, the State must provide that, at the request of the absent or custodial parent, child support payments must be made through the agency that administers

income withholding, even though there are no arrearages and income withholding procedures have not been applied. In such a case, the State must charge a fee equal to any cost incurred by the State, up to a maximum of $25 per year.

I. Continue child support enforcement services for families that lose AFDC eligibility

In order to provide for the continuation of child support enforcement services, the State must provide that AFDC recipients whose eligibility for AFDC is terminated due to the receipt of (or an increase in) child support payment or for other reasons will be automatically transferred from AFDC to non-AFDC status under the State IV-D program, without requiring reapplication or the payment of fees; and will be provided child support enforcement services on the same basis and under the same conditions as other non-AFDC cases.

J. Enforcement of both child and spousal support

States must pursue the enforcement and collection of spousal support as well as child support when amounts for both are combined in a single order. (This is presently a State option.)

K. Publicize the availability of child support enforcement services

States must frequently publicize, through public service announcements and other means, the availability of child support enforcement services, together with information as to the application fee for such services, if any, and a telephone number or postal address to be used to obtain additional information.

III. STATE CHILD SUPPORT MONITORING AND INCOME WITHHOLDING PROCEDURES

The provisions in current law under which 90 percent Federal matching funds are available for the development of automated management systems will be amended to made clear that, if a State meets the requirements in current law, these matching funds can be used by States for the development and improvement of procedures necessary to implement and effectively carry out the income withholding and other requirements contained in this bill pertaining to the monitoring of child support payments, keeping accurate records regarding the payment of child support, and providing prompt notification to appropriate officials of any arrearages that occur.

IV. FEDERAL CHILD SUPPORT FINANCING PROVISIONS

A. Incentive payments

1. The current 12 percent incentive payment, which is based solely on collections made on behalf of AFDC families, will be repealed as of October 1, 1985. The new incentive payment described below, which is based on collections for both AFDC and non-AFDC families, will be effective October 1, 1985. However, for FY 1986 only, States will receive the higher of the amount due them under

the new incentive structure or 80 percent of what they would have received under current law.

2. The basic incentive payment will be 4 percent of a State's AFDC collections and 4 percent of a State's non-AFDC collections.

3. To the extent that AFDC or non-AFDC collections exceed combined administrative costs for both AFDC and non-AFDC, higher incentives will be paid on a sliding scale up to 10 percent of AFDC and 10 percent of non-AFDC collections, as follows:

AFDC incentive		Non-AFDC incentive	
Ratio of AFDC collections to combined AFDC/non-AFDC administrative costs	Incentive equal to this percent of AFDC collections	Ratio of non-AFDC collections to combined AFDC/non-AFDC administrative costs	Incentive equal to this percent of non-AFDC collections
1.0:1	5.0	1.0:1	5.0
1.1:1	5.5	1.1:1	5.5
1.2:1	6.0	1.2:1	6.0
1.3:1	6.5	1.3:1	6.5
1.4:1	7.0	1.4:1	7.0
1.5:1	7.5	1.5:1	7.5
1.6:1	8.0	1.6:1	8.0
1.7:1	8.5	1.7:1	8.5
1.8:1	9.0	1.8:1	9.0
1.9:1	9.5	1.9:1	9.5
2.0:1	10.0	2.0:1	10.0

4. The total dollar amount of incentive paid for non-AFDC collections will be capped at an amount equal to 125 percent of the state's incentive payment for AFDC collections.

5. At state option, the laboratory costs of determining paternity may be deducted from combined administrative costs for purposes of computing incentive payments.

6. Where part of the cost of child support operations is borne by local governments, incentive payments must be passed through to local levels.

7. Incentive funds must be estimated and projected on an annual basis so that States will have an estimate in advance as to the amount of their incentive payments.

8. Amounts collected in interstate cases will be credited, for purposes of computing incentive payments, to both initiating and responding states.

B. Special funds for Interstate collections

For each fiscal year beginning with fiscal 1985, $15 million will be available to the Secretary of HHS to fund special projects developed by States with the objective of utilizing innovative techniques or procedures for, and otherwise improving, child support collections in interstate cases.

C. Administrative match:

The Federal IV-D matching rate will remain at 70 percent.

D. Audit and penalties

1. Graduated penalties of 2, 3, and 5 percent of AFDC matching, with correction periods provided to improve performance, will replace current penalty provisions effective October 1, 1983.

2. The audit schedule will be put on a 3-year cycle

V. OTHER PROVISIONS

A. Effective upon enactment, the Secretary of HHS is directed to issue regulations requiring State IV-D agencies to petition for inclusion of medical support as part of any child support order whenever such health care coverage is available to the absent parent at a reasonable cost.

B. Effective upon enactment, AFDC recipients who have received AFDC for at least three of the last six months, and who lose eligibility for AFDC due to an increase in child support payments, will continue to the eligible for Medicaid for four months following their loss of AFDC eligibility.

C. Effective upon enactment, the requirement that States, in effect, must exhaust all State child support locator resources before they may request the assistance of the Federal parent locator service is repealed. In other words, States will be able to request the assistance of the Federal parent locator service without the requirement that they first exhaust all State resources.

D. The content of the annual CSE report by Secretary will be modified, effective beginning FY 1987, to include the following information:

(1.) The number of AFDC and non-AFDC cases in which there are preexisting or newly established support obligations, the amount of those obligations, the number of such cases with collections and the amount collected;

(2.) the number of cases with support obligations in which 33-66%, under 33% and 0% was paid; and

(3.) data regarding interstate collections.

E. Current law will be amended to provide that, effective October 1, 1983, the support rights of children living in foster care homes under title IV-E of the Social Security Act be assigned to the State where appropriate, and collected by the State IV-D agency as was provided for children in foster care under IV-A prior to the enactment of the Adoption Assistance and Child Welfare Act of 1980.

F. Current law will be amended to provide for waiver authority for the IV-D Child Support Enforcement (CSE) program under section 1115 of the Social Security Act, under the following conditions: (a) the intent of the requested waiver must be to test modifications that will improve the financial well-being of children; (b) a waiver will not be allowed for any modification that would disadvantage children in need of support; and (c) the requested waiver will not result in an increase in Federal AFDC cost.

G. The Department of HHS will be required to approve requests from the State of Wisconsin for waivers of Federal IV-D CSE and IV-A AFDC requirements that will allow the State to continue to receive Federal CSE and AFDC matching funds while testing modifications in both programs contained in its "Child Support Initiative," if the requested waivers meet the conditions summarized in 1 and 2 below.

1. The purposes of the requested waiver authority should be (a) to improve the financial well-being of children; (b) to obtain flexibility in the manner and procedures to be used in provid-

ing IV-D CSE assistance to single parent households in gaining adequate child support, including the provision of IV-D services whether or not a family formally applies for such services; (c) to permit the State to test alternative IV-D and AFDC procedures in different sub-state areas wthout being out of compliance with "statewideness" requirements; (d) to permit the State to establish alternative arrangements for the payment of child support in order to reinforce parental responsibility for the child; and (e) to permit the State to use Federal AFDC matcing funds to insure that there is an adequate level of support when the contibution fo the absent parent, by itself, is inadequate (including the provision of such support to non-AFDC families without requiring them to reduce income and assets to the prevailing AFDC eligibility level);

2. The alternative IV-D CSE and AFDC procedures or modifications allowed under the requested waivers must not disadvantage children in need of child support or make children in the State worse off financially than they would be without the modifications in the State AFDC and IV-D program. The State can receive no more Federal AFDC funds than they would without the modifications.

VI. STATE COMMISSIONS ON CHILD SUPPORT

1. The Governor of each State will be required to appoint a State Commission on Child Support. The Commission must include representation from all aspects of the child support system, including custodial and non-custodial parents, the IV-D agency, the judiciary, the governor, the legislature, child welfare and social services agencies, and others.

2. Each State Commission should examine the functioning of the State child support system with regard to securing support and parental involvement for both AFDC and non-AFDC children, including but not limited to such specific problems as:

Visitation;

Establishment of appropriate objective standards for support;

Enforcement of interstate obligations; and

Additional federal or state legislation needed to obtain support for all children.

3. The Commissions should be established promptly and should make reports on their findings available to the public by October 1, 1985.

4. Cost of operating the commissions will not be eligible for federal administrative match; except for costs incurred by the Commission or its members for transportation within the State, and such other costs incurred as may be specifically allowed by the Secretary of HHS, which will be matched as State IV-D administrative expenses.

5. Any state which has in place objective standards for child support obligations or which has had a commission or council within the last five years is not required to establish a commission under this legislation. Furthermore, the Secretary may waive the requirement for a Commission at the request of a State if the Secretary determines the State is making reasonable progress in improving its child support enforcement program.

II. Comparison with Present Law

Item	Present law	H.R. 4325
1. Statement of purpose (sec. 2)	Funds are authorized for the purpose of "enforcing the support obligations owed by absent parents to their children and the spouse (or former spouse) with whom such children are living, locating absent parents, establishing paternity, and obtaining child and spousal support . . ."	Amends present law by adding the following language: "and assuring that assistance in obtaining support will be available under this part to all children (whether or not eligible for aid under part A) for whom such assistance is requested."
		Effective upon enactment.
2. Required state procedures (sec. 3)	The Federal statute generally does not specify the types of procedures States must use in operating their programs. Sec. 454(13) requires the States to comply with such requirements and standards as the Secretary determines to be necessary to the establishment of an effective program.	States are required to enact laws establishing the following procedures:
(a) Income withholding		(1) In the case of any noncustodial parent against whom a support order is or has been issued in the State whenever child support arrearages occur (or earlier at State option), the State must provide for the withholding of wages for AFDC and non-AFDC IV–D cases, or for anyone who applies for IV–D services in order to initiate withholding, under conditions and procedures established in accordance with the requirements and procedures summarized below. (2) The amount withheld, subject to Consumer Credit Protection Act limitations, must be the amount of current support that is owed, plus any arrearages (the amount withheld for arrearages may be subject to limitations provided under State law), plus a fee (the amount to be established by the State) to be paid to the employer. Withholding must begin when the arrearage reaches an amount equal to one month of support payments. A State may begin withholding at some earlier point; and must begin withholding earlier if requested by the absent parent. (1) The initiation of withholding procedures must be automatic in the case of IV–D (AFDC and non-AFDC) cases that meet the conditions summarized below, and can be triggered for other families by the obligee filing an application for services with the IV–D agency. (2) The execution of withholding orders must occur without the need for amendment of the support order.

II. Comparison with Present Law—Continued

Item	Present law	H.R. 4325
		The withholding of income for child support payments must be administered by a public agency designated by the state (such as the IV–D agency). The State may establish or allow procedures which provide for the collection from employers of withheld support payments and disbursement to obligee families through other than a public agency, so long as such procedures are publicly accountable, allow prompt disbursement, and permit the keeping of records to monitor and document the payment of support.
		(1) The obligor must get prior notice of withholding action and notification of procedures to be followed to contest the proposed withholding because of mistakes of fact; and the notification and other procedures must comport with the due process procedures of the state. (2) The final decision as to whether or not withholding will occur must be made no later than 30 days after the date the obligor parent is notified of proposed income withholding actions.
		Employers of individuals for whom withholding proceedings have been established, upon receiving proper notice from the State to begin withholding for child support payments (which must be a separate document containing no information other than the amount to be withheld and the amount of the fee to be retained by the employer, or other information necessary for the employer to comply with the withholding order), must be (1) required to withhold from wages and forward to the appropriate agency (or comply with state approved alternative procedures summarized above) the amount specified in the notice plus a fee to be paid to the employer (unless any such fee is waived by the employer); (2) allowed to combine all amounts withheld from employees for child support into one check to the appropriate agency, and otherwise simplify the withholding process; (3) held liable to the State (on behalf of the State in AFDC cases and on behalf of the obligee in non-AFDC cases) for any amount they fail to withhold, and (4) subject to a fine if an employee is discharged from employment, refused employment or subjected to disciplinary action because of withholding for child support, even if there are other withholdings for the same employee for other purposes.
		Withholding for child support payment must take priority over any legal process against the same wage.

II. Comparison with Present Law—Continued

Item	Present law	H.R. 4325
		Wages must be subject to withholding; and, the State may make other income subject to withholding, such as, but not limited to, commissions and bonuses, retirement benefits, pensions, workers compensation, dividends, royalties and trust accounts.
		The state must make provision for withholding on interstate cases.
		There must be provision for terminating withholding.
		All child support orders issued or modified in the State after October 1, 1985 must include provision for withholding of wages if arrearages occur. Withholding must be applied under the conditions and procedures established by the State for cases that are not IV–D cases, and in accordance with the requirements and procedures summarized above for IV–D cases.
(b) Procedures to improve establishment of, compliance with, and enforcement of support orders.		States must make reasonable efforts to expedite and otherwise improve the establishment of, compliance with, and enforcement of court or administrative support orders. (Report language indicates Congressional intent that States make reasonable efforts to reduce the adversary nature of support procedings; achieve better understanding and communication between obligee and obligor regarding the suppoort obligation and visitation rights, agreements and arrangements; and reduce court backlogs so that support decisions can be made properly.)
(c) State income tax refund offsets.		Requires States, at the request of the State IV-D agency, to withhold from any tax refund otherwise payable amounts of past-due support owed by an absent parent for the benefit of an AFDC child, or, at the option of the State, any child who is receiving IV-D services. Provision must be made for withholding for interstate cases.
		Requires notice to the absent parent of the proposed reduction and the procedures he must follow if he wishes to contest the action. Procedures must be in compliance with due process procedures of the State.
(d) Liens against property		Requires States to have procedures for imposing liens against real and personal property for amounts of past-due support owed by a State resident or an individual who owns property in the State.
(e) Paternity statute of limitations.		State paternity laws must permit the establishment of paternity until a child's 18th birthday.

II. Comparison with Present Law—Continued

Item	Present law	H.R. 4325
(f) Security or bond in certain cases.		Requires States to have procedures to require in appropriate cases that an individual give security, post a bond, or give some other type of guarantee to secure support obligations to absent parents who have a pattern of past-due support. The individual must receive prior notice, including procedures to be followed to contest the action. Procedures must be in compliance with due process procedures of the State.
(g) Providing information on past-due support to credit agencies.		Requires States to make available to consumer credit bureau organizations, at the request of such agencies, the amount of past-due support owed by absent parents residing in the State. States must make available information on arrearages in excess of $1,000, and may make available information on smaller arrearages. An individual must be notified of the proposed action and given reasonable opportunity to contest the accuracy of the information involved. The notification and procedures for contesting the proposed release of information to credit agencies must be in compliance with the due process procedures in the State. The State may charge a fee to the credit agencies who request and receive this information which cannot exceed the cost to the State of providing the information.
(h) Tracking and monitoring of support payments by public agency.		The State must provide that, at the request of either the custodial or absent parent, child support payments must be made through the agency that administers the State's income withholding system, regardless of whether there is an arrearage which requires withholding to occur. The State must charge a fee equal to the cost incurred by the State for these services, up to a maximum of $25 a year Exemption authority—The Secretary may grant an exemption, subject to later review, of the required procedures, if the State can demonstrate that such procedures will not improve the efficiency and effectiveness of the State IV-D program. Effective date of above requirements—Oct. 1, 1985.

II. Comparison with Present Law—Continued

Item	Present law	H.R. 4325
3. Ninety percent matching for automated management systems used in income withholding and other required procedures (sec. 4).	Ninety percent Federal matching is available, on an open-end entitlement basis, to States that elect to establish an automatic data processing and information retrieval system designed to assist management in the administration of the State plan, so as to control, account for, and monitor all the factors in the support enforcement collection and paternity determination process. Funds may be used to plan, design, develop, and install or enhance the system. The Secretary must approve the system as meeting specified conditions before matching is available.	Maintains present law. In addition, specifies that if a State meets the requirements in present law, matching funds may be used for the development and improvement of the income withholding and other procedures required in the bill (described in item 2) through the monitoring of child support payments, the maintenance of accurate records regarding the payment of child support, and the provision of prompt notification to appropriate officials with respect to any arrearages that occur. Also specifies that the 90 percent matching is available to pay for the acquisition of computer hardware. Effective the first quarter after enactment.
4. Continuation of services for families that lose AFDC eligibility (sec. 5).	There is no special provision requiring States to automatically continue support collection activities on behalf of families when they lose eligibility for AFDC.	States must provide that AFDC recipients whose eligibility for AFDC is terminated due to the receipt of (or an increase in) child support payments or for other reasons will be automatically transferred from AFDC to non-AFDC status under the State IV–D program, without requiring reapplication or the payment of fees; and will be provided child support enforcement services on the same basis and under the same conditions as other non-AFDC cases. Effective Oct. 1, 1985.
5. Federal incentive payments (sec. 6).	A 12 percent incentive payment (financed out of the Federal share of collections) is made to States and localities for collections made on behalf of AFDC families. The estimated amount of incentives paid to jurisdictions in fiscal year 1983 is $122 million. (The amount of the incentive was reduced from 15 to 12 percent by Public Law 97–248, effective Oct. 1, 1983.	Repeals the 12% incentive payment, effective October 1, 1985. Establishes new incentives based on collections on behalf of both AFDC and non-AFDC families. Requires the Secretary to make incentive payment as follows: The basic incentive payment will be equal to 4% of the State's AFDC collections, and 4% of its non-AFDC collections (subject to the cap described below). To the extent AFDC or non-AFDC collections exceed combined administrative costs for both AFDC and non-AFDC, higher incentives will be paid on a sliding scale up to 10% of non-AFDC collections, according to the following cost/collection ratios:

AFDC incentive

Ratio of AFDC collections to combined AFDC/non-AFDC administrative costs	Incentive equal to this percent of AFDC collections
1.0:1	5.0
1.1:1	5.5
1.2:1	6.0
1.3:1	6.5
1.4:1	7.0
1.5:1	7.5
1.6:1	8.0

II. Comparison with Present Law—Continued

Item	Present law	H.R. 4325

AFDC incentive

Ratio of AFDC collections to combined AFDC/non-AFDC administrative costs	Incentive equal to this percent of AFDC collections
1.7:1	8.5
1.8:1	9.0
1.9:1	9.5
2.0:1	10.0

Non-AFDC incentive

Ratio of non-AFDC collections to combined AFDC/non-AFDC administrative costs	Incentive equal to this percent of non-AFDC collections
1.0:1	5.0
1.1:1	5.5
1.2:1	6.0
1.3:1	6.5
1.4:1	7.0
1.5:1	7.5
1.6:1	8.0
1.7:1	8.5
1.8:1	9.0
1.9:1	9.5
2.0:1	10.0

The total dollar amount of incentive paid for non-AFDC collections will be capped at an amount equal to 125 percent of the State's incentive payment for AFDC collections.

At State option, the laboratory costs of determining paternity may be deducted from combined administrative costs for purposes of computing incentive payments.

Under a pass-through requirement, States must assure that localities which participate in the costs of collecting support will receive a share of any incentive payments.

Incentive funds must be estimated and projected on an annual basis so that States will know in advance what their payments will be.

Amounts collected in interstate cases will be credited, for purposes of computing incentive payments, to both initiating and responding States.

Effective October 1, 1985.—However, for FY 1986 only, States will receive the higher of the amount due them under the new incentive provision or 80 percent of what they would have received under the existing 12 percent incentive program.

II. Comparison with Present Law—Continued

Item	Present law	H.R. 4325
6. Special project grants to promote improvements in interstate enforcement (sec. 7).	There is no special provision for funding of interstate activities.	Beginning with fiscal year 1985 $15 million a year will be available to the Secretary to fund special projects developed by States with the objective of using innovative techniques or procedures for, and otherwise improving, child support collections in interstate cases. (Report language makes clear Congressional intent that these special funds should be used by a State to augment and provide existing State efforts to pursue and respond to interstate cases.)
7. Periodic review of effectiveness of State programs; modification of penalty (sec. 8).	The Secretary is required to conduct an annual audit of each State's child support enforcement program to determine whether it complies with the requirements of the Federal statute. If the Secretary finds that the State has failed to have an effective program meeting the specified requirements, he must reduce the amount of the Federal matching payable to the State under the AFDC program by 5 percent. This penalty has never been imposed. Legislation has periodically been enacted to suspend its implementation.	The present audit and penalty requirements are repealed. The Secretary is required to conduct a review of each State's program at least every 3 years to determine whether the program substantially complies with the requirements of the statute, and to evaluate its effectiveness in carrying out the purposes of the Federal child support law. If the Secretary finds that a State has not met the requirements of the law, and there has not been corrective action to bring about substantial compliance, the amount of the State's AFDC matching must be reduced by not more than 2 percent, or, if the finding is the second consecutive such finding, not more than 3 percent, or, if the finding is the third or subsequent consecutive such finding, not more than 5 percent. The reduction must continue until the first quarter throughout which the program is found to meet the requirements. Effective October 1, 1983.
9. Extension of Sec. 1115 demonstration authority to child support enforcement program (sec. 9).	Sec. 1115 of the Social Security Act authorizes the Secretary to grant waivers to States in the operation of their AFDC and medicaid programs, if he determines that the waivers are necessary to enable the States to conduct experimental, pilot, or demonstration projects which are likely to assist in promoting the objective of the programs.	Expands the sec. 1115 demonstration authority to include the child support enforcement program under the following conditions: (a) the intent of the requested waiver must be to test modifications that will improve the financial well-being of children; (b) a waiver will not be allowed for any modification that would disadvantage children in need of support; and (c) the requested waiver will not result in an increase in Federal AFDC costs.

II. Comparison with Present Law—Continued

Item	Present law	H.R. 4325
9. Child support enforcement for certain children in foster care (sec. 10).	There is no specific authority in the law for collection of child support on behalf of children who are placed in foster care. This authority was deleted when the foster care program was transferred from title IV–A to title IV–E.	Requires State child support agencies to undertake child support collections on behalf of children receiving foster care maintenance payments under title IV–E of the Social Security Act, if an assignment of rights to support to the State has been secured by the foster care agency. Requires States to take steps, where appropriate, to secure an assignment to the State of any rights to support on behalf of each child receiving foster care maintenance payments under the title IV–E foster care program. Effective October 1, 1983, and applicable to collections made on or after that date.
10. Enforcement with respect to both child and spousal support (sec. 11).	States have the option of collecting spousal support when amounts for both the child and the spouse are combined in a single order, if the support action has been established with respect to the spouse.	Collection by the State of spousal support under the specified circumstances is required, rather than allowed. Effective Oct. 1, 1985.
11. Modifications in content of Secretary's annual report (sec. 12).	Within 3 months after the close of each fiscal year, the Secretary must submit an annual report to the Congress on child support progam activities. The statute specifies certain data which must be included in the report.	The information required to be included in the annual report is modified to include the following: 1. The number of AFDC and non-AFDC cases in which there are preexisting or newly established support obligations, the amount of those obligations, the number of such cases with collections and the amount collected; 2. the number of cases with support obligations in which 33–66 percent, under 33 percent and 0 percent was paid; and 3. data regarding interstate collection. Effective for reports due beginning with fiscal year 1987.
12. Requirement to publicize the availability of child support services (sec. 13).	No provision.	States must frequently publicize, through public service announcements and other means, the availability of child support enforcement services, together with information as to the application fee for such services, if any, and a telephone number or postal address to be used to obtain additional information. Effective October 1, 1985

II. Comparison with Present Law—Continued

Item	Present law	H.R. 4325
13. State commissions on child support (sec. 14).	No provision.	The Governor of each State is required to appoint a State Commission on Child Support. The Commission must include representation from all aspects of the child support system, including custodial and non-custodial parents, the IV–D agency, the judiciary, the governor, the legislature, child welfare and social services agencies, and others. Each State Commission is to examine the functioning of the State child support system with regard to securing support and parental involvement for both AFDC and non-AFDC children, including but not limited to such specific problems as: visitation; establishment of appropriate objective standards for support; enforcement of interstate obligations; and additional Federal or State legislation needed to obtain support for all children. The Commissions shall submit to the Governor and make available to the public, reports on their findings and recommendations no later than Oct. 1, 1985. Costs of operating the commissions will be eligible for Federal matching only in the case of costs for transportation within the State and such other costs as are specifically allowed by the Secretary in regulations. The Secretary may waive the requirement for a Commission at the request of a State if he determines that the State has in place objective standards for child support obligations, has had a commission or council within the last five years, or is making reasonable progress in improving its child support enforcement program.

II. Comparison with Present Law—Continued

Item	Present law	H.R. 4325
14. Wisconsin child support initiative (sec. 15)	No provisions	The Department of HHS will be required to approve requests from the State of Wisconsin for waivers of Federal IV–D CSE and IV–A AFDC requirements that will allow the State to continue to receive Federal CSE and AFDC matching funds while testing modifications in both programs contained in its "Child Support Initiative," if the requested waivers meet the conditions summarized below. The purposes of the requested waiver authority should be (a) to improve the financial well-being of children; (b) to obtain flexibility in the manner and procedures to be used in providing IV–D CSE assistance to single parent households in gaining adequate child support, including the provision of IV–D services whether or not a family formally applies for such services; (c) to permit the State to test alternative IV–D and AFDC procedures in different sub-state areas without being out of compliance with "statewideness" requirements; (d) to permit the State to establish alternative arrangements for the payment of child support in order to reinforce parental responsibility for the child; and (e) to permit the State to use Federal AFDC matching funds to insure that there is an adequate level of support when the contribution of the absent parent, by itself, is inadequate (including the provision of such support to non-AFDC families without requiring them to reduce income and assets to the prevailing AFDC eligibility level). The alternative IV–D CSE and AFDC procedures or modifications allowed under the requested waivers must not disadvantage children in need of child support or make children in the State worse off financially than they would be without the modifications in the State AFDC and IV–D program. The State can receive no more Federal AFDC funds than they would without the modifications. Effective upon enactment.
15. Requirement to include medical support as part of any child support order (sec. 16).	There is no provision in the child support statute that requires State agencies to undertake efforts to include medical support as part of any child support order.	The Secretary of Health and Human Services is required to issue regulations to require State agencies to petition to include medical support as part of any child support order whenever health care coverage is available to the absent parent at a reasonable cost. The regulations must also provide for improve information exchange between the State IV–D agencies and the medicaid agencies with respect to the availability of health insurance coverage. Effective upon enactment.

II. Comparison with Present Law—Continued

Item	Present law	H.R. 4325
16. Increased availability of Federal parent locator service to State agencies (sec. 17)	The Federal statute requires operation by the Federal Government of a Parent Locator Service (PLS) to assist States in locating absent parents. States may use the Federal PLS only after there has been a determination that the absent parent cannot be located through procedures under the control of the State child support agency.	Repeals the requirement that the States, in effect, exhaust all State child support locator resources before they may request the assistance of the Federal PLS. Effective upon enactment.
17. Extension of medicaid eligibility when support collection results in termination of AFDC eligibility (sec. 18).	When a family loses eligibility for AFDC as a result of child support collections, it also loses eligibility for medicaid.	If a family loses AFDC eligibility as the result (wholly or partly) of increased collection of support payments under the IV-D program, the State must continue to provide medicaid benefits for 4 calendar months beginning with the month of ineligibility. (The family must have received AFDC in at least three of the six months immediately preceding the month of ineligibility). Effective upon enactment.

III. Background Information on the Child Support Enforcement Program

BACKGROUND

The enactment of the Child Support Enforcement (CSE) program in 1975 represented a major new commitment on the part of the Congress to address the problem of nonsupport of children. Although prior to that time the Social Security Act had included provisions which were aimed at improving the collection of support on behalf of children with absent parents, these provisions had not proved to be effective. The 1975 amendments were aimed at strengthening in a very significant way the efforts of the Federal and State governments to improve the enforcement of child support obligations.

The 1975 legislation (P.L. 93-647) added a new part D to title IV of the Social Security Act. The statute authorizes Federal matching funds to be used for enforcing the support obligations owed by absent parents to their children and the spouse (or former spouse) with whom the children are living, locating absent parents, establishing paternity, and obtaining child and spousal support. Basic responsibility for child support and establishment of paternity is left to the States, but the Federal Government also plays a major role in funding, monitoring and evaluating State programs, providing technical assistance, and in certain instances, in undertaking to give direct assistance to the States in locating absent parents and obtaining support payments from them. The program requires the provision of child support enforcement service for both welfare and non-welfare families.

THE FEDERAL ROLE

The IV-D law requires that the child support program be administered by a separate organizational unit under the control of a person designated by and reporting directly to the Secretary of Health and Human Services. Under the present organizational structure of the Department, the Commissioner of Social Security is the Director of the Office of Child Support Enforcement (OCSE).

The director of the Federal Office of Child Support Enforcement is given broad authority under the statute. He has the responsibility of establishing the standards for State programs which he determines to be necessary to assure that the programs will be effective. In addition, he is required to establish minimum organizational and staffing requirements for State child support agencies.

The director is also required to review and approve State plans, and to evaluate the implementation of State programs to determine whether they are in conformity with the Federal requirements. He must conduct annual audits of State programs to detemine whether the actual operation of the program in each State conforms to the Federal requirements, and must impose a penalty if he finds noncompliance. The penalty for noncompliance is a reduction of 5 percent in the Federal matching that would otherwise be payable to the State under the Aid to Families with Dependent Children (AFDC) program.

The statute also requires the director of the OCSE to provide technical assistance to the States to help them establish effective systems for collecting child and spousal support and establishing paternity. In this connection, the office has established a National Child Support Enforcement Reference Center as a central location for the identification, collection, and dissemination of useful information from State and local programs. In addition, it has created a National Institute for Child Support Enforcement to provide training and technical assistance to persons working in the field of child support enforcement.

Under the child support enforcement program, States may have access to the Federal courts to enforce court orders for support. It is the responsibility of the director of the OCSE to receive applications from State for permission to use these courts. He must approve applications for use of the Federal district court if he finds that a State has not undertaken to enforce the court order of the originating State within a reasonable time, and that use of the Federal court is the only reasonable method of enforcing the court order.

Another tool available to the States is the Internal Revenue Service. The statute requires the Secretary of HHS, upon the request of a State, to certify to the Secretary of Treasury for collection by the Internal Revenue Service of amounts which represent delinquent child support payments. The Secretary may certify only the amounts delinquent under a court order, and only upon a showing by the State that it has made diligent and reasonable efforts to collect amounts due using its own collection mechanisms. States must reimburse the Federal Government for any costs involved in making the collections. Collections may be made on behalf of both AFDC and non-AFDC families.

This use of the IRS regular collection mechanism for child support was amplified in amendments enacted as part of the Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35) to allow, in addition, the collection of past-due support from Federal tax refunds. Under this new authority, upon receiving notice from a State child support agency that an individual owes past-due support which has been assigned to the State as a condition of AFDC eligibility, the Secretary of Treasury is required to withhold from any tax refunds due that individual an amount equal to any past-due support. The withheld amount is sent to the State agency, together with notice of the taxpayer's current address.

The statute also requires the Secretary to establish and operate a Federal Parent Locator Service to be used to find absent parents in order to enforce child support obligations. Upon request, the Secretary must provide to an authorized person the most recent address and place of employment of any absent parent if the information is contained in the records of the Department of Health and Human Services, or can be obtained from any other department or agency of the United States or of any State.

Another major responsibility of the Secretary is to approve applications by the States for Federal matching funds to be used to establish automatic data processing and information retrieval systems designed to assist in the administration of the State child support program. Upon approval, a State may receive 90 percent matching funds to plan, design, develop and install or enchance the system.

Finally, the Secretary has the responsibility of assisting States in establishing adequate reporting procedures, and in providing the Congress with an annual report on all activities undertaken as part of the child support program.

THE STATE ROLE

The child support statute leaves basic responsibility for child support enforcement and establishment of paternity to the States. Each State is required to designate a single and separate organizational unit of State government to administer the program. The 1967 child support legislation had required that the program be administered by the welfare agency. The 1975 Act deleted this requirement in order to give each State the opportunity to select the most effective administrative mechanism. In practice, most States have placed the child support agency within the social or human services umbrella agency which also administers the AFDC program. However, two states have placed the agency in the Department of Revenue. the programs may be administered either on the State or local level. Eight programs are locally administered. A few programs are State administered in some counties and locally administered in others.

The States are required to have State plans which set forth their functions and responsibilities. The plan must provide that the State will undertake to secure support for an AFDC child whose rights to support have been assigned to the State. (Assignment of rights to support is a condition of eligibility for AFDC benefits.) It must also provide for the establishment of paternity for AFDC chil-

dren. With respect to non-AFDC families, the State must make available, upon application filed with the State agency, the child support collection and paternity determination services which are provided under the plan for AFDC families. The State is allowed to charge non-AFDC families an application fee (which must be reasonable as determined under regulations by the Secretary), and may recover costs in excess of the fee. These costs may be collected from either the custodial parent or the absent parent, at State option.

Each State must also enter into cooperative arrangements with appropriate courts and law enforcement officials to assist the IV-D agency in administering the program. The agreements may include provision for reimbursing courts and law-enforcement officials for their assistance.

The law required the IV-D agency to establish a State Parent Locator Service to locate absent parents, using all sources of information available to the State, as well as the Federal Parent Locator Service. It must also maintain full records of collections and disbursements and have an adequate reporting system.

In order to facilitate the collection of support in interstate cases, the State must cooperate with other States in establishing paternity, locating absent parents, and in securing compliance with an order issued by another State.

The statute requires the State IV-D agency to use the IRS tax refund offset procedure for AFDC families, and also to determine periodically whether any individuals receiving unemployment compensation owe child support obligations. The State employment security agency is required to withhold unemployment benefits, and to pay to the child support agency any outstanding child support obligations established by an agreement with the individual or through legal processes. Both of these procedures were added to the law in the Omnibus Budget Reconciliation Act of 1981.

Finally, the statute requires each State to comply with any other requirements and standards that the Secretary determines to be necessary to the establishment of an effective child support program.

GARNISHMENT OF FEDERAL PAYMENTS

Title IV-D of the Social Security Act also includes a provision allowing garnishment of wages and other payments made by the Federal Government for enforcement of child support and alimony obligations. The statute provides that moneys (the entitlement to which is based upon remuneration for employment) payable by the United States to any individual are subject to legal process brought for the enforcement against such individual of his legal obligation to provide child support or make alimony payments. The law sets forth in detail the procedures which must be followed for service of legal process, and specifies that the term "based upon remuneration for employment" includes wages, periodic benefits for the payment of pensions retirement or retirement benefits), and other kinds of Federal payments.

FINANCING

The Federal Government pays 70 percent of State and local administrative costs for services to both AFDC and non-AFDC families on an open-end entitlement basis. The matching rate was reduced from 75 percent to 70 percent by a provision in the Tax Equity and Fiscal Responsibility Act of 1982 (P.L. 97-248). Funding for services to non-AFDC families was originally enacted on a temporary basis, but was made permanent in Public Law 96-272, enacted in 1980.

In addition, 90 percent Federal matching is available on an open-end entitlement basis to States that elect to establish an automatic data processing and information retrieval system. The Secretary must approve the system as meeting specified criteria before matching rate was increased from 75 percent to 90 percent in Public Law 96-265.

Collections made on behalf of AFDC families are used to offset the cost to the Federal and State governments of welfare payments made to the family. The amounts retained by the government are distributed between the Federal and State governments according to the proportional matching share which each has under a State's AFDC program.

Finally, as an incentive to encourage State and local governments to participate in the program, the law provides for a payment equal to 12 percent of collections made on behalf of AFDC families. These incentive payments are deducted from the Federal share of collections. The amount of the incentive payment was reduced from 15 percent, effective October 1, 1983, by the Tax Equity and Fiscal Responsibility Act of 1982.

TABLE 1.—PROGRAM OPERATIONS, SUMMARY OF NATIONAL STATISTICS, FISCAL YEARS 1978-1982

[Numbers in thousands]

	1978	1979	1980	1981	1982	Percent change
Total child support collections	$1,046,690	$1,333,259	$1,477,575	$1,628,894	$1,771,482	+69
Total AFDC collections	$471,567	$596,626	$603,084	$670,638	$787,318	+67
Total non-AFDC collections	$575,123	$736,633	$874,491	$958,257	$984,164	+71
Total administrative expenditures	$312,339	$359,860	$449,513	$512,531	$592,368	+90
Federal incentive payment to States and localities	$54,096	$66,636	$72,443	$90,936	$106,638	+97
Average number of ADFC cases in which a collection was made	458	463	503	548	562	+23
Average number of non-AFDC cases in which a collection was made	249	224	247	331	447	+80
Number of families removed from ADFC due to child support collections	19	25	40	46	32	+68
Number of parents located	454	574	642	696	782	+72
Number of paternities established	111	138	144	164	174	+57
Number of support obligations established	315	349	374	415	469	+49
Percent of AFDC assistance payments recovered through child support collections	(1)	5.8	5.5	5.7	6.8	(79-82) +17

TABLE 1.—PROGRAM OPERATIONS, SUMMARY OF NATIONAL STATISTICS, FISCAL YEARS 1978–1982—Continued

[Numbers in thousands]

	1978	1979	1980	1981	1982	Percent change
Total child support collections per dollar of total administrative expenses	$3.35	$3.70	$3.29	$3.18	$2.99	−11

[1] Not available.

Source: Child Support Enforcement Annual Reports.

TABLE 2.—STATE STATISTICAL PROFILE OF FISCAL YEAR 1982

[Collection and expenditure data expressed in thousands of dollars]

State	AFDC collections	Non-AFDC collections	AFDC expenditures	Non-AFDC expenditures	AFDC child support caseload	Non-AFDC child support caseload
Alabama	$8,060	$160	$7,020	$128	82,444	895
Alaska	1,048	6,340	2,062	745	10,497	3,534
Arizona	1,250	9,171	2,306	354	9,178	14,664
Arkansas	3,032	2,521	3,501	1,254	46,691	4,675
California	136,394	110,630	83,996	24,971	657,207	320,924
Colorado	5,990	10,948	5,787	842	93,976	28,819
Connecticut	21,308	15,770	8,263	1,206	40,687	13,218
Delaware	1,958	5,426	1,275	851	10,287	8,747
District of Columbia	1,813	761	3,708	160	46,444	2,092
Florida	14,286	5,988	12,308	1,758	256,789	10,742
Georgia	8,107	1,393	6,877	207	119,448	64,165
Guam	165	95	216	18	1,660	1,460
Hawaii	3,345	4,879	1,649	83	20,972	6,086
Idaho	3,433	765	1,595	90	20,092	3,310
Illinois	17,015	4,585	15,135	1,593	278,792	24,187
Indiana	11,650	2,939	7,342	84	138,978	10,401
Iowa	18,114	8,696	5,255	846	55,826	9,486
Kansas	7,787	1,835	4,642	23	97,228	3,273
Kentucky	3,752	10,895	5,880	1,198	136,818	11,032
Louisiana	9,301	13,018	9,832	1,016	104,448	20,846
Maine	5,991	1,474	2,128	504	31,020	593
Maryland	16,317	39,513	11,284	2,857	136,115	43,235
Massachusetts	40,368	23,244	12,923	2,406	92,600	11,000
Michigan	101,339	139,099	29,640	6,571	399,520	92,893
Minnesota	23,125	14,709	11,667	2,943	67,136	16,774
Mississippi	2,396	295	2,280	152	14,960	1,310
Missouri	12,437	6,152	5,436	2,136	111,764	10,344
Montana	1,237	513	1,015	33	24,971	856
Nebraska	3,176	13,949	3,295	282	16,678	9,829
Nevada	1,510	3,202	2,136	518	16,620	6,199
New Hampshire	2,303	2,927	1,420	94	6,121	1,090
New Jersey	33,606	96,887	23,098	9,320	247,169	75,207
New Mexico	2,218	1,252	2,084	586	66,850	3,037
New York	54,632	97,171	56,223	14,249	586,925	115,862
North Carolina	12,795	9,472	9,752	1,465	113,308	15,673
North Dakota	1,763	549	1,064	146	14,831	603
Ohio	30,082	872	18,379	195	308,620	22,124
Oklahoma	2,607	1,289	5,284	867	50,331	7,171
Oregon	16,599	30,725	7,737	3,579	39,443	41,346
Pennsylvania	40,586	214,895	17,651	17,559	236,589	240,288
Puerto Rico	675	16,697	1,200	620	57,208	18,105
Rhode Island	3,869	1,512	1,897	76	16,723	5,466
South Carolina	4,712	1,441	2,260	181	71,435	1,055
South Dakota	1,432	690	993	162	14,894	748
Tennessee	5,901	11,591	4,330	1,260	91,036	37,506
Texas	6,869	6,973	15,184	1,461	90,597	91,654

TABLE 2.—STATE STATISTICAL PROFILE OF FISCAL YEAR 1982—Continued

[Collection and expenditure data expressed in thousands of dollars]

State	AFDC collections	Non-AFDC collections	AFDC expenditures	Non-AFDC expenditures	AFDC child support caseload	Non-AFDC child support caseload
Utah	10,065	1,883	5,186	309	29,224	1,519
Vermont	3,039	219	722	87	7,774	922
Virginia	10,398	1,832	7,299	385	1,830	1,255
Virgin Islands	179	479	175	109	134,467	3,230
Washington	22,160	14,467	8,726	4,278	48,594	21,175
West Virginia	2,488	149	2,880	81	35,114	5,937
Wisconsin	32,020	11,132	13,945	1,145	128,428	12,027
Wyoming	619	258	343	43	7,761	471

Source: Child Support Enforcement, 7th Annual Report to Congress for the Period Ending September 30, 1982.

IV. Explanation and Justification of Provisions

Statement of purpose: (Section 2 of the bill)

The bill makes explicit in the statment of purpose that the program is intended to assure that all children in the United States for whom assistance is securing financial support from their parents is requested will receive such assistance regardless or their eligibility or ineligibility for benefits under the program of Aid to Families for Dependent Children (AFDC).

By adding this explicit statement, the Committee is emphasizing its intention that the Department of Health and Human Services and the states vigorously implement a requirement that has been in the law since 1975. as the Committee on Finance observed in its report on the original legislation, "the problem of nonsupport is broader than the AFDC rolls." For this reason, at the outset the Congress included as part of the child support law a requirement that States make available to any individual upon application the child support collection and paternity determination services established under the State child support program. It is clear from the legislative history that the child support program has always been aimed at serving children who are not receiving AFDC, as well as those who are.

Notwithstanding law and legislative history, some states have not enforced child support obligations as energetically for non-AFDC families as they have for AFDC families, and in a few states and localities services appear to be available only for families receiving AFDC benefits. In other areas, reduced levels of services are provided for non-AFDC families, sometimes after lengthy waiting periods, and AFDC and non-AFDC services are administered separately with non-AFDC staffing only a fraction of AFDC. Unfortunately, this attitude toward the program has led to analyses measuring the effectiveness of child support enforcement only in terms of AFDC savings due to collections on behalf of recipients or AFDC cases not opened because of support payments and measurement of the program's success solely in terms of welfare savings.

The committee believes that establishment and enforcement of support obligations on behalf of children receiving AFDC are essential objectives of the program. However, those services are also essential for other children who are not receiving now and who may

never receive AFDC benefits. The Committee recognizes the larger societal responsibility for making sure that all children receive financial support from both their parents to the fullest extent possible. We do not think that assistance under the program should be reserved only for children living at subsistence or poverty levels. The objectives behind the program are greater than merely recouping federal and state AFDC expenditures.

The situation in the nation currently and in the foreseeable future regarding the structure and financial status of families with children indicates that child support enforcement must be available to all children. According to the Census Bureau, women who received child support had a mean 1981 money income of $11,750 of which $2,100 consisted of child support, while those who had awards but did not receive child support had incomes of $8,000. These incomes are substantially in excess of AFDC eligibility limits in most states. However, few would deny that raising children at these income levels is difficult or that children in these families ought to enjoy some financial support from their other parent.

Yet 1981 Census data indicate that 40 percent of such children do not have support orders, and of the 60 percent with orders, fewer than half receive full payments and more than one quarter receive nothing at all. Perhaps even more alarming, is the fact that these figures represent a slight decline in the percentage of families awarded and receiving support compared with a similar survey taken in 1978 and that for those who did receive child support, payments after adjustment for inflation averaged about 16 percent lower in 1981 than in 1978.

The Committee believes that with nearly two million children who are born out of wedlock or whose parents divorce each year, the nation cannot afford to ignore the financial responsibility of both parents to support their children. It has been estimated that half of the children born this year will live in a single-parent family before they reach age 18. The dimensions of the need for child support enforcement require an expanded nationwide effort on behalf of our children, both those who are receiving AFDC and those who are not.

Required State procedures: (Section 3 of the bill)

The bill requires States to have in effect by October 1, 1985 a number of laws or procedures which have been found to be effective in the establishment and enforcement of child support obligations in those states and localities which have used them.

The bill authorizes the Secretary of Health and Human Services, under certain circumstances, to exempt States from the bill's requirements that specific procedures be implemented (income withholding, improved procedures, State income tax refund offsets, liens against property, paternity statute of limitations, imposition of security or bond, providing information to consumer credit agencies, tracking and monitoring of payments by public agencies). These exemptions are to be granted for a specified period of time but may be renewed, subject to the secretary's continuing review, based on the presentation by the State to the Secretary of data pertaining to caseloads, processing times, administrative costs, average support collections and any other actual or estimated data which

the Secretary may specify which demonstrate that the enactment of a law or the use of a procedure otherwise required would not increase the effectiveness and efficiency of the State child support enforcement program.

For example, a State where State income tax refunds average less than $20 might not find it cost effective to implement an offset procedure. A State where court backlogs are short and child support matters can be disposed of within two or three weeks might be exempted from further expediting its procedures for processing child support cases.

A. Income withholding

Income withholding has proven to be one of the most effective, efficient and low-cost techniques for bringing child support obligations into paying status and keeping them there. When past-due support obligations accumulate for several weeks, months or years, they become difficult and probably impossible for most obligors to pay off. Deducting current support obligations from paychecks keeps support payments current without any effort on the part of the obligor and insures that the support obligation will come before other expenditures.

Because withholding of support from income is such a low cost and effective collection technique, the Committee believes that its widespread usage will result in a substantially higher rate of compliance with support obligations. It will also permit the concentration of personnel and resources on difficult cases which require more complicated and labor-intensive responses.

Withholding usually brings about reliable, timely compliance with support obligations and helps to avoid lost, incomplete or delayed payments. This regularity of support payment permits the custodial parent to plan on using the payments as part of the overall budget for supporting the child rather than reducing the standard of living and using support payments for occasional or unusual expenses.

The bill provides that States must implement procedures to withhold from obligors' wages amounts necessary to comply with support orders. Under these procedures withholding must be initiated when arrearages accumulate to an amount equal to one month of support or at any earlier point the State may choose. The State procedures also must provide for implementing withholding when voluntarily requested by obligors prior to the imposition of mandatory withholding. A State, if it desired, could require automatic withholding of support beginning with the first payment, without waiting for arrearages to accumulate. States, however, must require withholding when one month's worth of payments have gone unpaid. This amount could accrue, for example, as a result of four consecutive unpaid weekly payments, four non-consecutive weekly payments, or a series of partial payments over a period of time.

The withholding procedure must provide that the amount of withheld wages will be the amount necessary to comply with the current support order. Where arrearages exist, additional sums will be withheld in addition to current support obligations so that such arrearages can be paid off according to schedules established by the State. The sum withheld will also include a fee to cover the em-

ployer's cost of effectuating the withholding, unless the fee is waived by the employer. However, amounts withheld shall not exceed the amounts permitted under the Consumer Credit Protection Act. This limitation is intended to protect an obligor from having so much withheld that insufficient funds are left for the support of himself or herself and any dependents, and to prevent withholding from taking so much of an obligor's paycheck that it makes no sense to continue working.

State procedures are to allow automatic initiation of withholding for children for whom the State is already seeking support, whether or not these children are receiving AFDC, without the necessity of any further applications for services under the Title IV-D program. Withholding for children for whom Title IV-D services are not being provided already will be initiated when an application for Title IV-D services is filed with the appropriate State agency. State procedures must provide that withholding will be implemented without the need for any amendment to the support order involved or any further action by the court or administrative tribunal which issued it. The Committee intends that States' procedures for withholding will provide prompt remedy when support orders have not been paid, without the necessity for obligees taking additional legal steps or having to incur substantial additional cost or time lost from work.

The bill provides that withholding will be administered in a manner which permits documentation that support has been paid and notification of appropriate officials or triggering of appropriate follow up when arrearages occur. The State can direct employers to forward support amounts directly to a designated public agency which will record the payment and forward the amount expeditiously to the obligee. Alternatively, the State can specify other procedures to document the payment of support. Such alternative procedures must be publicly accountable, assure prompt distribution of withheld funds and keep adequate records to document payments of support and track and monitor such payments. The Committee intends that alternative procedures, if used, provide the same degree of monitoring, tracking and public accountability as would be provided by a public agency so that clear records will be available as to the payment of support, notice will be provided when arrearages occur, and withheld amounts will be promptly disbursed.

The Committee believes that documentation of support payments is an essential part of an effective support enforcement system. An efficient system which triggers enforcement actions promptly when support becomes overdue can prevent arrearages from mounting up to sums which the obligor is unlikely to pay. An official record of support payments makes possible a quick determination of payment status when disputes arise between parents as to whether or not support has been paid. This serves to protect the interests of the children and both parents and reduces expenses and delays that would otherwise occur if disagreements over whether or not payments actually had been made had to be resolved by administrative or judicial tribunals. In addition to providing information to be used to trigger follow up when arrearages occur, such documentation would allow the State, if it chooses, to provide custodial par-

ents with notice of the status of support collections on their behalf. This information could, for example, enable a custodial parent to make an informed decision about the possibilities of going off of AFDC and obtaining regular child support.

Before the withholding of support can be implemented, the State must notify the obligor in advance of the proposed withholding and the procedures to be followed to contest the withholding. The bill provides that a proposal to withhold may be contested only on the grounds that withholding is not proper because of mistakes of fact. Such mistakes of fact would include, for example, errors in the amount of current support owed, errors in the amount of arrearage that had accrued, or mistaken identity of the alleged obligor. This provision is not intended to waive the withholding requirement if the obligor paid the past-due support after receiving notice that withholding was being implemented. The obligor could not contest the proposed withholding on other grounds such as the inappropriateness of the amount of support ordered to be paid, changed financial circumstances of the obligor, or lack of visitation. These issues are important, but nonpayment of support should not be used to obtain relief with regard to these problems. They should be pursued independently through separate legal actions. In order to prevent protracted disputes over the initiation of withholding, the bill provides that any challenges must be resolved within no more than 30 days after the provision of such notice, and a final decision as to whether or not withholding will occur must be made within that period.

The bill contains a number of provisions relating to employers' responsibilities. The State must provide the employer with proper notice that wages of an employee are to be withheld. This notice must be a separate and distinct document containing no information other than the amounts to be withheld from the employee's wages, the date on which withholding is to begin, the amount to be retained by the employer as a fee for effectuating the withholding, and such other information that may be necessary for the employer to comply with the withholding order. Divorce decrees and other legal documents which provide for child support are often lengthy and complex, and they frequently contain material relating to disposition of personal property, visitation and other matters which employees might not wish to share with their employers and which have no bearing on the withholding action. To protect both parents' privacy and to spare employers from having to read through dozens of pages in order to find the part of a decree or order pertinent to withholding, the bill provides that notification to employers of withholding be provided in a separate document. The Committee anticipates that notification could be a standardized "boiler plate" form with which both government personnel and employers would become familiar.

The bill directs States to simplify the withholding process for employers to the greatest extent possible, and specifically directs them to permit an employer to combine all withheld amounts into a single payment to the appropriate State agency which would include a listing of the amount attributable to each employee whose wages are withheld. The Committee intends that States follow withholding procedures for child support obligations that are simi-

lar to and no more burdensome for employers than withholding or garnishment procedures for other types of debts.

The State must provide that an employer must be held liable to the State for any amount which he or she fails to withhold from an employee's wages after receiving proper notice. This liability applies both to AFDC cases where the support is assigned to the State and non-AFDC cases where any collected support will be transmitted by the public agency, or through an alternative procedure, to the children. This provision is intended to make sure that employers comply with the withholding procedure and that funds which are withheld from employee's wages are forwarded to the public agency or other entity designated by the State in accordance with the withholding notice. However, when an individual no longer works for the employer or the individual's wages are too low to permit withholding of the full amount of child support because of limits imposed by the Consumer Credit Protection Act, the employer would of course not be liable.

The State must provide that any employer must be fined who discharges an employee, takes disciplinary action against an employee or refuses to hire an individual because of the existence of withholding for child support and the burdens it imposes upon the employer. This fine is to apply even if the withholding for child support is not the only withholding from an employee's paycheck.

The State must provide for the priority of support collection under the withholding procedure over any other legal process under State law against the same wages. This means that if an employee's wages are subject to several garnishments, which total more than the Consumer Credit Protection Act limits, the full amount of the child support obligation must be withheld first, before any other garnishments. The Committee believes that the payment of child support is such a fundamental obligation that it takes precedence over other economic burdens or liabilities that parents may incur.

Not all non-custodial parents are employed in positions where they are paid a salary. Therefore, under the bill, a State may extend its system of withholding to include withholding from forms of income other than wages. Withholding might be extended, for example, to commissions and bonuses, retirement benefits, pensions, workers compensation, dividends, royalties or trust accounts. The State may also impose bonds or other requirements on individuals whose income is from sources other than wages in order to assure that child support will be collected without regard to the type of income or nature of income-producing activities of the individual owing child support.

Interstate situations present one of the most difficult areas of child support enforcement. Whether the obligor resides across the country or just across the State line, interstate enforcement of child support obligations is far more complex than intrastate cases where the child support was ordered in the State where both parents still reside. The Uniform Reciprocal Enforcement of Support Act (URESA), the Revised Uniform Reciprocal Enforcement of Support Act (RUESA), or similar legislation has been adopted by all the States, but the effective use of these legal tools varies from State to State. To aid in the collection of support in interstate

cases, the bill specifically provides that each State must enter into such agreements as may be necessary with other States so that (1) the State will provide withholding on income earned within the State to satisfy orders issued in other States and (2) other States will withhold income earned in their States to satisfy applicable orders issued in the State. The intent of this provision is to assure, insofar as is possible, that child support withholding will occur regardless of the State in which a parent owing support resides.

The bill provides that the State must make provision for terminating the withholding of support. Termination would be appropriate when the whereabouts of the child and custodial parent have been unknown for a period of time and therefore it is impossible to forward withheld funds to them. Termination of withhholding would also occur at the expiration of the child support order, such as when the child reached the age indicated in the support order or when the child was legally adopted.

The bill requires that all child support orders issued or modified in a state after October 1, 1985 must provide for withholding of wages. As explained above, the bill requires States to implement wage withholding as a remedy for nonpayment of child support when services are provided or sought through the Title IV–D program. However, it is not the Committee's intention that all child support disputes must be handled through the Title IV–D program or that withholding through the IV–D Agency be initiated only if it is specified in support orders. The provision that all future child support orders contain a provision for withholding of wages will permit obligees to pursue withholding for past-due child support through private legal processes if they do not choose to use the Title IV–D services.

B. Improved and expedited procedures

The bill requires States to make all reasonable efforts to expedite and otherwise improve the establishment of, compliance with, and enforcement of child support obligations and any related obligations arising under or in connection with the support orders involved. These efforts to expedite and improve procedures could be implemented on a statewide basis or could be targeted on those localities where such procedures were most needed and would be most effective.

A number of problems relating to the establishment and enforcement of child support result from the necessity of resolving disputes thrugh the courts where, traditionally, child support as well as other domestic relations matters have been decided. The growing volume of child support cases, when added to the increased use of courts in general to resolve disputes, has resulted in clogged dockets and lengthy delays in litigating child support cases. In an informal survey of State Title IV–D offices, backlogs of 3 months were routinely reported, and several States reported delays of 6 months, particularly in larger cities. Should a case need to be rescheduled, as is frequently the case, the wait to be docketed must be repeated. Usually, in the meantime, no support order has been established. Other problems arise from the lack of coordination and communication among the various personnel and officials who prepare and decide child support matters. This often results in inap-

propriate support amounts being established. Using the courts to determine child support obligations often exacerbates the adversarial nature of the proceeding with parents emerging as "victors" or "losers". Thus, the combination of long delays, poor case management and communication, and adversarial proceedings may create a climate which deters voluntary compliance with child support obligations.

This provision reflects the Committee's intent that States implement procedures that have the objectives of reducing the adversarial nature of support proceedings, achieving better understanding and communication between the custodial and noncustodial parents regarding the support obligation as well as visitation rights and responsibilities, and reaching child support decisions promptly. The Committee does not intend, however, that such procedures should limit the authority or jurisdiction of the States' courts.

Such procedures could include administrative or quasi-judicial procedures to expedite the establishment and enforcement of support obligations. The quasi-judicial process is a system in which the exercise of discretion of a judicial nature is made by judge surrogates who are outside the traditional court system but are serving as an extension or branch of the court. Pleadings are filed with clerks or other court personnel, such as referees or masters, who examine the evidence and make findings or recommendations regarding the child support obligation. Judges, however, must approve the orders. Administrative process is a statutory system granting authority to an executive agency to determine child support duties and to establish and enforce orders through an adjudicative process. It is conducted wholly outside the court system, and support order decisions are made by hearings officers or administrative law judges after pleadings and other evidence are filed with administrative or executive agencies for consideration and determination.

The quasi-judicial and administrative systems have several advantages over the court process in many areas. Child support obligations can be established more quickly and at lower cost because of the relatively lower salaries and operating costs. Decisionmakers deal exclusively with child support and hence develop greater expertise than many court personnel who must deal with a wide range of legal matters. Finally, these procedures can be tailored to mesh with and complement existing legal and administrative arrangements within jurisdictions so inefficient systems can be bypassed or eliminated from the child support program.

Some jurisdictions have used various mediation techniques as a means of helping parents arrive at mutually agreeable decisions on financial support, visitation and other related obligations. Although agreement will not be achieved by every couple on every issue, to the extent that parents can reach shared understandings of the support obligation, of the visitation and custody of children and of other parental responsibilities, there will be fewer problems in achieving compliance with these obligations. While it is important that a child's right to financial support from a parent be enforced separately from other issues, it is nevertheless true that unless such important related issues as visitation rights, agree-

ments and obligations are also resolved, enforcement of financial support obligations will continue to be an uphill battle.

C. Offset of State income tax refunds

The bill provides that each State will implement a procedure for reducing any refund of State income tax by the amount of past-due support owed by a taxpayer who is deliquent in the payment of child suport. The State must apply this provision to AFDC cases and may extend it to all cases for which collection services are provided under the State's Title IV-D program. The State also may extend this provision to child obligations which are not being pursued through the Title IV-D program. The State also may extend this provision to child support obligations which are not being pursued through the Title IV-D program, but these costs would not be eligible for Federal matching or incentive funds. The withholdings of refunds must be used for interstate as well as intrastate cases. The obligator must get prior notice of the proposed reduction in the refund before it occurs and the procedures to be followed to consent it. These procedures must meet all due process requirements of the State. Amounts retained by the State from tax refunds will be distributed to the State if the past-due support is owed to the State on behalf of an AFDC family and to the family if it is a non-AFDC case. The obligator's home address, as indicated on the tax return, will also be furnished to the State Title IV-D agency as an aid in locating parents who have not met their child support obligations. In order that the offset of tax refunds will be cost effective, the Secretary of Health and Human Services may prescribe regulations specifying the minimum amount of a refund and the minimum amount of past-due support to which the offset must apply. States which do not impose State income taxes, of course, would not be subject to this requirement.

A number of States have already implemented offsets of State income tax refunds and have found this to be an efficient and cost effective technique. In fiscal 1982, nearly $31 million in past due child support was obtained from tax refunds in 21 States, including seven States in which child support offsets totalled more than $1 million.

D. Liens against property

States are to establish procedures under which liens are imposed against real and personal property for amounts of past-due support owed by an absent parent who resides or owns property in the State. Liens are simple to execute and cost effective. Often the mere imposition of a lien motivates an obligor to pay past-due support in order to get clear title to the property in question without it becoming necessary for the State to exercise the lien. In other instances, a lien on property will result in eventual payment of past-due support when the property is transferred or sold. The Committee believes that the use of liens will complement the withholding provisions and will be particularly helpful in enforcing support payments from obligors with substantial assets or income but who are not salaried employees.

E. Paternity statute of limitation

The bill provides that procedures under applicable State paternity laws must permit the establishment of an individual's paternity for any child at least until the child's eighteenth birthday. The Committee intends that any statute of limitations on establishing paternity apply equally to children receiving AFDC and children not receiving AFDC. States could eliminate statutes of limitation for establishing paternity altogether if they wished.

In many child support cases, the first step is to establish the child's paternity. Some 700,000 children are born out of wedlock each year in the United States—over 18 percent of all births. Many of these children eventually need assistance in obtaining support. The administrator of the New York City child support program testified before the Subcommittee on Public Assistance and unemployment Compensation that two-thirds of the New York City child support caseload involves children born out of wedlock. However, if a State's applicable statute of limitation does not permit establishment of paternity past the child's second, sixth or other birthday, it will be impossible ever to establish support orders on behalf of children past these ages and therefore impossible to obtain support for them. If the custodial mother's earnings are insufficient to support the children and paternity statutes prevent the father from being obligated to support them, the children will become AFDC recipients with no possibility for the State to recover the cost of their benefits.

Relatively short statutes of limitation were enacted in the past in order to prevent stale claims and to protect a man from having to defend himself against a paternity action brought years after the child's birth when witnesses may have disappeared and memories may have become faulty. Recent progress in developing highly specific tests for genetic markers now permits the exclusion of over 99 percent of those wrongly accused of paternity regardless of the age of the child. These advances in scientific paternity testing eliminate the rationale for placing arbitrary time limitations on the establishment of paternity for a child and therefore the obligation to support that child.

F. Posting security, bonds or guarantees

States are required to have procedures that require, in appropriate cases, an individual to give security, post a bond or give some other guarantee to secure the payment of past-due child support, if the individual has demonstrated a pattern of past-due support. Before requiring such a security, bond or guarantee, the individual must receive notice of the proposed requirement and the procedures to be used to contest it. These procedures must meet all due process requirements of the State.

The Committee believes that this procedure will be a useful supplement to wage withholding. For example, withholding may be inappropriate or unworkable when the obligor is self-employed or realizes income only from buying and selling properties. However, the Committee realizes that there will be instances where imposing a security, bond or guarantee would be counterproductive because the cost of meeting the security might preclude payment of the

support obligation. Therefore the bill requires States to use this procedure only where appropriate to the objective of guaranteeing payment of support.

G. Consumer credit information

The bill requires each State to make available to consumer credit bureau organizations, upon the request of such an organization, information regarding the amount of past-due child support owed by non-custodial parents residing in the State. States must apply such information when the child support arrearage equals or exceeds $1000; they may make information available about smaller arrearages if they wish. Prior to releasing information about arrearages to consumer credit bureaus, the State must notify the obligor of the proposed action and procedures for contesting the proposed release of information; these procedures must meet all due process requirements of the State. The State may charge a fee to the credit agencies which request information; the fee is not to exceed the State's actual costs for duplicating, copying or transmitting the information.

The Committee believes that making information about arrearages available to consumer credit bureau organizations will be a useful technique in achieving compliance with child support obligations. Child support obligations generally cannot be discharged in bankruptcy and stand in front of virtually all other debts which an individual may incur. Therefore, creditors and credit reporting agencies have an interest in knowing about child support arrearages of individuals who are seeking further expansion of their credit. An obligor who owes substantial amounts of past-due support ought not to be judged a good credit risk and should be discouraged from incurring still more debts until the child support obligations are paid. After child support arrearages have been reported to credit agencies, payment of those arrearages will serve to clear the obligor's credit rating.

When payment of past due support has been sought, information regarding the arrearage is a matter of public record. Therfore, consumer credit agencies already have access to these records and can include this information on individuals' credit ratings. However, obtaining this information is often a laborious procedure that involves traveling to a courthouse or administrative office, searching through records and copying information by hand. State child support enforcement agencies, particularly those which are automated, can compile information regarding documented child support arrearages and supply it to consumer credit bureaus efficiently and inexpensively.

Information which shows that child support is being paid on a regular basis and that there are not child support arrearages will help custodial parents establish that child support is paid regularly and therefore can be counted toward available family income for purposes of evaluating their credit worthiness. Nothing in this bill should be construed to restrict other uses of credit bureaus which States wish to utilize.

H. Tracking and monitoring of support payments by public agencies

The bill provides that, at the request of either the custodial or the non-custodial parent, child support payments will be made through the State agency which administers the State's child support income withholding system or the alternative publicly accountable procedures established by the State. This request can be made and must be honored even though no arrearages in child support have occurred. The State must charge the parent making the request a fee equal to the actual costs, up to $25 per year, incurred by the State for handling and processing child support payments under this voluntary participation.

The Committee believes that the documentation of child support payment status available through a central registry or monitoring system may be desired by some parents whose support obligations are current and therefore who are not subject to the mandatory withholding provisions contained in this bill. Such documentation protects obligors from erroneous accusations of nonpayment or late payment of support. Similarly, it spares custodial parents from having to establish through complicated or lengthy legal processes that an arrearage has occurred.

Because the voluntary use of the State's tracking and monitoring systems will involve situations where child support obligations are current, the Committee believes that the costs associated with such voluntary use should be borne by the party requesting the service rather than by taxpayers. It is anticipated that these costs will be minimal, approximating the charges imposed by credit card issuers or by banks for handling similar transactions.

90-percent matching for automated systems: (Section 4 of the bill)

Under present law, Federal funds are available to States on a 90-percent matching basis for establishment of automatic data processing and information retrieval systems which meet four detailed requirements specified under section 454 of the Social Security Act. Section 4 of the bill extends this authority by allowing a State that has complied with the four requirements to use these funds to facilitate the development and improvement of the income withholding and other procedures required under section 3, including, but not limited to, procedures that improve the monitoring of child support payments, the maintence of accurate records regarding the payment of child support, and the provision of prompt notification to appropriate officials with respect to any arrearages in child support payments which may occur.

The bill also specifies that the existing program of 90 percent Federal funding of automatic data processing and information systems applies to the cost of computer and data precessing hardware. It was the Committee's intent to include hardware costs under this program when it was added to Title IV-D by Public Law 96-265. The specific inclusion of language pertaining to hardware is intended to eliminate the confusion that has arisen on this point and to make clear that 90 percent matching funds are to cover hardware costs as well as other costs associated with implementing such a data processing and information system

Section 4 is effective the first calendar quarter after enactment.

Support enforcement for former AFDC recipients: (Section 5 of the bill)

Under present law, a State may continue providing child support enforcement services for up to three months on behalf of families whose AFDC benefits have been terminated, and may continue services thereafter only at the request of the family. The bill amends this provision by requiring the State to continue providing child support services to former AFDC families. Such continuation of services must be accomplished by automatically transferring the AFDC case to non-AFDC status under the State Title IV-D program, without requiring reapplication by the family for services or the imposition of any application fees. The bill also provides that child support services will be provided on the same basis and under the same conditions as for other non-AFDC cases.

The Committee believes that a family which needed AFDC benefits because child support obligations were not being paid will generally benefit from the continuation of enforcement services and that such continuing enforcement will help to prevent the family from returning to the AFDC rolls, as may happen if enforcement lapses. Services provided for non-AFDC cases under existing law are supposed to be as effective and energetic as those extended to AFDC cases. The Committee believes that transferring a former AFDC case to non-AFDC status should not in any way diminish the effectiveness of the enforcement services provided. Such transfers in status are to be effectuated automatically by the agency administering the child support program and should not require any appearances by the obligee or any payment of fees.

Section 5 is effective October 1, 1985.

Federal incentive payments to States: (Section 6 of the bill)

The bill sets forth a system of incentive payments intended to encourage states to develop and improve efficient, cost-effective child support programs which balance services for AFDC and non-AFDC cases, both interstate and intrastate. The present system of incentive payments, equal to 12 percent of support collected on behalf of individuals receiving AFDC, is repealed, effective October 1, 1985, and replace with the new incentive system. (The 70 percent federal match for administrative expenses under present law is retained).

Under the new incentive system, the Secretary must pay to each State, on a quarterly basis, an incentive payment equal to at least 4 percent of the State's total amount of AFDC support collection for the year, plus at least 4 percent (unless this exceeds 125 percent of the State's AFDC incentive payment) of the State's total amount of non-AFDC support collection for the year. However, the incentive payment will be increased to 5 percent if AFDC collections or non-AFDC collections equal the total amount expended by the State (for both AFDC and non-AFDC support enforcement for the operation of its child support enforcement plan under section 454 of the Social Security Act. In addition, a further incentive payment of one-half of 1 percent of AFDC of non-AFDC collections will be paid for each full one-tenth by which the ratio of such collections exceeds combined AFDC and non-AFDC costs, as illustrated in the table below:

AFDC incentive payment		Non-AFDC incentive payment	
Ratio of AFDC collections [1] combined	Percent of collections	Ratio of non-AFDC collections [1]	Percent of collections [2]
1.0:1	5.0	1.0:1	5.0
1.1:1	5.5	1.1:1	5.5
1.2:1	6.0	1.2:1	6.0
1.3:1	6.5	1.3:1	6.5
1.4:1	7.0	1.4:1	7.0
1.5:1	7.5	1.5:1	7.5
1.6:1	8.0	1.6:1	8.0
1.7:1	8.5	1.7:1	8.5
1.8:1	9.0	1.8:1	9.0
1.9:1	9.5	1.9:1	9.5
2.0:1	10.0	2.0:1	10.0

[1] Combined AFDC and non-AFDC administrative costs.
[2] To be paid as incentive.

The child support and administrative expenses to be applied in calculating incentive payments are not to include fees charged to custodial or absent parents or deducted from support payments. Therefore, if $10 were withheld from a $100 child support collection as a fee to cover collection costs, $90 in child support would be counted in computing the incentive payment. Similarly, the $10 fee would not be counted as part of the administrative costs of operating the title IV-D program.

For purposes of calculating incentive payments, States are permitted to reduce the total amount counted as administrative costs for child support enforcement activities by the amount expended for laboratory costs incurred in determining paternity. The Committee recognizes that paternity determination is an integral and important part of the child support enforcement process and that it can be one of the most costly steps in the sequence of actions that eventually culminate in the payment of child support. When laboratory tests are necessary to determine paternity, these tests must be performed on the mother and child as well as on the alleged father. Such tests may cost $1000 or more, depending on their complexity. In jurisdictions where a high percentage of child support cases involve paternity determinations, incuding these laboratory costs in the calculation of incentive payments might be a disincentive to the operation of a vigorous paternity determination effort. The provision permitting States to reduce their administrative costs by these laboratory costs is intended to reduce any such disincentive.

The amount paid to a State as an incentive for collection of non-AFDC support may not exceed 125 percent of the amount paid as an incentive for collection of AFDC support. The Committee included this provision in order to prevent child support enforcement activities which now occur through regular legal channels outside of the Title IV-D program from being subsumed under the IV-D program simply in order that States might qualify for increased incentive payments without increasing the level of services provided.

The Committee places a high priority on improving the interstate child support enforcement situation. Therefore, under the incentive payment system, both the initiating State and the responding State will be credited with any support collected in an inter-

state case. Under the current system, a State which incurs administrative costs in order to collect support for a non-AFDC case receives no incentive payment since incentives currently are paid only for AFDC collections. Similarly, a state which seeks child support from an absent parent residing in another state receives no incentive payment if that support is obtained because the responding state retains the 12 percent incentive. The "double-counting" of support obtained in interstate cases allowed in the bill is intended to encourage States to pursue interstate cases as energetically as they pursue intrastate cases, regardless of the residence of the child or the obligor.

The bill provides that the Secretary shall estimate, on the basis of the best information available, the amount of incentive payment for which each state will qualify in the upcoming year. Incentive payments will be made for each calendar quarter equal to one-fourth of the estimated incentive payment for the year. However, the incentive payments may be increased or reduced to the extent of any overpayments or underpayments which were made in prior quarters. This provision is intended to provide States with advance notice as to how much incentive payment they should expect for a year so that they can budget for their Title IV-D programs with some degree of certainty.

In many States, much of the actual work of child support enforcement is carried out and financed at the local level, through courts, district attorneys or other entities. The bill provides that to the extent that political subdivisions of State participate in the costs of support enforcement, such subdivisions shall be entitled to receive an appropriate share, as determined under regulations prescribed by the Secretary, of any incentive payments made to the State. The committee intends that the incentive payments will be passed through to localities in a manner that takes into account their effort and involvement in the States Title IV-D program and the relative effectiveness of their participation.

The new incentive system will become effective October 1, 1985. However, to provide for a transition between the current incentive system and the new system, the bill provides that for Fiscal Year 1986, States will be paid an incentive equal to the greater of the amount they qualify for under the new system or 80 percent of the amount that would have been payable under the 12 percent of current law.

Special project grants for interstate enforcement (Section 7 of the bill)

In order to encourage and promote the development and use of more effective methods of enforcing support obligations in interstate cases, the bill authorizes the Secretary of Health and Human Services to make project grants to States for developing, testing, implementing and demonstrating new or innovative methods of support establishment and collection in interstate cases. The Committee places a high priority on the improvement of interstate child support enforcement. It intends these project grants to test methods, techniques, systems or other efforts which show promise of making substantial improvement in interstate enforcement and could be readily used by other States. Such project grants might in-

clude, for example, multi-state efforts to solve mutual problems, demonstration projects to disseminate to interested states techniques which have proved useful, development of specialized staff to handle interstate cases, and the development of intra- and interstate tracking systems designed to expedite interstate cases. These grants are not intended to supplant ongoing efforts in interstate collection.

There is authorized to be appropriated $15,000,000 annually, beginning with fiscal year 1985 for these project grants.

Periodic review of effectiveness of State programs; modification penalty: (Section 8 of the bill)

Title IV-D presently requires that an annual audit be made of State child support enforcement programs to determine their compliance with all statutory requirements and to determine whether the penalty provision should be applied. The penalty under present law for noncompliance with Title IV-D requirements is a 5 percent reduction in the State's AFDC matching funds. This penalty has never been applied, however, because of its severity in relation of the nature of non-compliance, particularly during the first years of the program's operation.

The bill requires that each State's program be reviewed not less frequently than every 3 years. The Committee believes that it is not cost effective to conduct annual audits of programs which have had consistently excellent records of performances. Administrative resources could be better used for more detailed and frequent scrutiny of programs which appear to be having difficulty in achieving full compliance or operating effective efforts to enforce both AFDC and non-AFDC child support obligations.

In place of the 5 percent penalty provision, the bill provides for a graduated penalty system with correction periods for programs found to be out of compliance with Title IV-D requirements. Under this system, if a State program is inconsistent with IV-D program requirements, the Secretary will prescribe a period for corrective action. If such corrective action is not taken by the end of such period, a reduction in AFDC matching up to 2 percent will be applied. However, if it were the second consecutive occasion following which there was a failure to take timely corrective action, a penalty of up to 3 percent could be applied, or, if it were the third or subsequent occasion, the penalty could be raised to 5 percent.

The Committee believes that the State child support enforcement programs have matured to the point where it is not unrealistic to expect adequate levels of compliance with program requirements. The Committee endorses a focus on program effectiveness rather than simple compliance with processes. The Federal government pays 70 percent of the States' child support enforcement administrative costs and ought to be getting its money's worth in terms of firm and effective establishment and enforcement of AFDC and non-AFDC support support obligation. It believes that this system of reviews and graduated penalties will effectively complement the incentive system provided in Section 6 as a means of making sure that the substantial Federal investment results in aggressive and effective child support enforcement programs in the states.

This section is effective beginning October 1, 1983.

Extension of section 1115 demonstration authority to title IV-D: (Section 9 of the bill)

Under Section 1115 of the Social Security Act, the Secretary may waive compliance with any of the requirements of Titles I, X, XIV, XVI, XIX, XX or IV-A in connection with an experimental, pilot or demonstration project which is judged likely to assist in promoting the objective of these Titles. This waiver provision under present law does not apply to Title IV-D, the child support program.

The bill extends Section 1115 demonstration authority to Title IV-D. It specifies, however, that any experimental, pilot or demonstration project undertaken in connection with Title IV-D must be designed to improve the financial well-being of children and may not permit modifications in the child support program which would have the effect of disadvantaging children in need of support and that such projects must not result in increased cost to the Federal government under the AFDC program.

The Committee believes that one of the merits of the Federal system is that individual states can develop independently their own unique means of solving problems and administering programs. The Committee can see no reason why section 1115 waiver authority, which permits States in carefully circumscribed instances to experiment with alternative methods to attain program objectives, ought not to be extended to the Title IV-D program.

This section becomes effective upon enactment.

Child support enforcement for certain children in foster care: (Section 10 of the bill)

The bill adds a new subsection to Section 457 of the Social Security Act which pertains to the collection of child support on behalf of children who are in foster care under Title IV-E of the Act. Child support collected for any such children will be retained by the State as reimbursement for foster care maintenance payments with appropriate reimbursement to the Federal government. The public agency may use the collection in excess of the foster care maintenance payments in the manner it determines will best serve the interests of the child, including setting such payments aside for the child's future needs or making all or a part of the payments available to the person responsible for meeting the child's day-to-day needs. Child support paid in excess of amounts ordered to meet the child's needs may be retained by the State to reimburse it and the Federal government for any past foster care maintenance payments or AFDC payments made with respect to the child.

The bill also provides that, where appropriate, all steps will be taken to secure an assignment to the State of any rights to support on behalf of each child receiving foster care maintenance payments under Title IV-E.

The Committee's bill does provide discretion to the State child welfare agency to determine when it is appropriate to secure an assignment of support on behalf of a child for whom the State is claiming federal matching funds under Title IV-E of the Social Security Act. While the Committee believes that there generally is an obligation for the parent to contribute to the support of the child in out-of-home placement, the determination of that responsibility

should be made within the context of the State's overall policy related to parental responsibility for children in out-of-home placement. It should also take into account that some children in foster care are moving toward placement in adoption. The Committee is concerned that in some States the Federal Office of Child Support Enforcement has insisted that there be an assignment of support rights and collection of support even when the case was in the final phases of termination of parental rights and the child was close to being adopted. In addition, in at least one State, the child welfare agency is not part of the agency that administers the AFDC or child support programs. The Committee intends that insofar as possible, cooperative agreements will be reached which will take into account the existing administrative structure.

This section becomes effective October 1, 1983 and shall apply to collections made on or after that date.

Enforcement of spousal support: (Section 11 of the bill)

Present law permits States to enforce spousal support obligations in instances where the support order combines both child support and spousal support in the same order so that specific amounts solely for child support are not set forth. Without such a provision, States would be unable to enforce support for children in cases where orders provided for such combined support.

The bill requires States to enforce spousal support in these instances, effective upon enactment.

Modification in annual reporting requirements: (Section 12 of the bill)

The Secretary of Health and Human Services currently is required to submit to Congress three months after the end of each fiscal year a report on all activities undertaken pursuant to Title IV-D. Section 452(a)(10) describes the type of data and information which must be included in these annual reports.

The bill modifies these reporting requirements by adding a number of additional types of data which the Committee believes are needed in order to assess the effectiveness and status of the Title IV-D program in achieving its purposes. These reporting requirements include information regarding AFDC and non-AFDC cases in which there are already support obligations or for which new or increased support obligations were established during the year for which the report is being made, the amount of those obligations, the number of such cases with collections during the year and the amount collected. Information must also be provided, regarding cases with support obligations as to the number of cases in which the full amount of the obligation was paid, 90 percent but less than the full amount of the obligation was paid, two-thirds but less than 90 percent of the obligation was paid, at least one-third but less than two-thirds of the obligation was paid, something but less than one-third of the obligation was paid and none of the obligation was paid.

In addition, the Secretary is to report data which will permit Congress to assess the status of interstate collections, including but not limited to the number of interstate cases initiated by each state for AFDC and non-AFDC cases, the number of such cases with obli-

gations and the amount of the obligations and the amount collected. Also, information must be provided on the number of interstate cases from each State to which every State was asked to respond, the number in which a response in fact was made, the actions taken in response to such requests to establish paternity, obtain obligations or collect support and the amount collected.

The Committee believes additional information is needed in order to provide an accurate assessment of how well the purposes of the child support program are being carried out. Most of the currently reported data is aggregated. While this permits us to learn, for example, the total amount collected for AFDC cases and non-AFDC cases, it does not tell us how many cases have had collections or how many have not, or how many have support obligations and how many do not. We cannot judge from the total collections figures the range of full compliance for some cases and minimal compliance for others or how many cases have had no collections at all. The number of AFDC child support cases far exceeds the number of families currently receiving AFDC benefits, but data is not available to indicate how many of those cases have support obligations or pertain to current AFDC recipients. Similarly, very little data exists with regard to the interstate situation. Current data is lacking on a state by state or even a national basis as to what percentage of all child support efforts involve interstate cases. The Committee believes that including information about the efforts and results of initiating and responding states in interstate cases in the annual reports will give us for the first time a picture of the scope of interstate child support enforcement and will permit identification of particular areas where enforcement difficulties occur. The Committee believes that the child support enforcement program ought to be evaluated on the basis of how effective it is in obtaining support for all children for whom it is being sought. The information requirements added by this section will help in making such evaluations.

Section 12 is effective October 1, 1986.

Study of child support award levels

The Committee requests the Secretary of Health and Human Services to report on the findings of the Department's study entitled "Models for Assessing and Updating Child Support Award Levels," and the Departments' recommendations based on that study and other information regarding the adoption of objective standards for equitable child support guidelines. The report should include an analysis of the advantages and disadvantages of various guidelines, formulas and approaches which could be used in establishing child support amounts, including an evaluation of the impact of such guidelines, formulas and approaches on assuring children a standard of living no lower than that of the non-custodial parent. The report should also include an evaluation of methods whereby child support awards may be adjusted periodically to reflect changes in the cost of living, in the increased cost of supporting children as they grow older, and in the non-custodial parent's income, without placing an undue burden on either parent to initiate or obtain such adjustments.

Finally, The Committee recommends that the report include a full and complete summary of the opinions and recommendations of an advisory panel to be comprised of at least one person who is representative of parents entitled to receive child support on behalf of their children, at least one person who is representative of absent parents obligated to pay child support, and at least two people with professional expertise in child support issues in the fields of law and economics, at least one person who is a member of the judiciary, at least one person who is a member of a State legislature, and at least one person with expertise in the administration of child support enforcement programs.

The Committee believes that establishing appropriate levels of support is an important component of the overall child support enforcement system. Further discussion of this is found in the explanation of Section 14 which requires State commissions on child support.

Publicizing availability of child support services: (Section 13 of the bill)

The bill requires, under the State's IV-D plan, that the State regularly and frequently publicize, through public service announcements and other means, the availability of child support enforcement services. This publicity must mention whether application fees are charged and must include a telephone number or postal address at which further information may be obtained.

A number of State programs have already developed imaginative and effective public services television and radio announcements and print advertisements which inform the public that Title IV-D services exist and are available to those who need them. However, not all jurisdictions are doing this, and the Committee is concerned that in many localities and States, families in need of child support may be unaware that services exist which they can afford. Because the bill provides that after October 1, 1985, all support orders must include a provision for withholding of support from the obligor's income if support obligations are not met, it is important that custodial parents become aware that such withholding can be enforced after they file an application for Title IV-D services.

This provision is not intended to require Title IV-D agencies to conduct extensive or costly public relations or advertising campaigns. The provision does require, however, the use of public service announcements, inexpensive advertisements, posters and the like at frequent intervals in media to which custodial parents are likely to have access.

Section 13 is effective October 1, 1985.

State commissions on child support: (Section 14 of the bill)

The bill requires each State governor to appoint a child support commission to examine, investigate and study the operation of the State's child support system. These commissions are to determine the extent to which the State's child support system has been successful in securing financial support and parental involvement for AFDC and non-AFDC children.

Four issues the commissions should emphasize are specifically enumerated in the bill. Commissions may, of course, take up such

additional topics as may be appropriate to the programs of their particular States.

The issues surrounding visitation of children by their absent parents and the link between problems of visitation and problems of child support enforcement are particularly vexing. State commissions are to examine the nature and extent of these problems, the existing means for dealing with them and changes in laws or procedures which would prevent, reduce and resolve such problems in the future. The Committee is convinced that unless visitation rights and responsibilities are enforced, it will remain extremely difficult to enforce financial support obligations in cases where visitation is an issue.

The commissions must also examine the advisability of establishing a statewide schedule for setting the dollar amount of child support orders based on such objective standards as the State may choose. One of the major underlying support enforcement problems is the level of support ordered to be paid. Obligees frequently believe support orders are established at unrealistically low levels and are reduced too readily when support is unpaid. Obligors, on the other hand, frequently contend that support is ordered at unrealistically high and even punitive levels. Several studies have found that the economic position of non-custodial parents actually improves after divorce while that of the custodial parent and children declines substantially in terms of what their income could provide in relation to their needs even when child support is paid. When support obligations go unpaid, the difference in post-divorce standard of living is even more striking. Similarly, studies have found that the amounts of support obligation established by courts or administrative tribunals bear little relation to obligors' ability to pay and generally represent a lower percentage of obligors' income the higher that income is. In jurisdictions where there are no objective guides for establishing support obligations, amounts established in virtually identical cases may vary widely depending on a variety of factors including the particular judge setting the amount and the relative sophistication of legal advice that may be available to each spouse. The Committee believes that establishment of realistic support obligations would make a major difference in parent's willingness to pay support and that such realistice obligations can be obtained through the use of objective standards to guide all parties involved in the support decision—parent, attorneys, judges and administrative officers.

The State commissions are to analyze the effectiveness of current procedures and laws for obtaining support for children in the State from parents residing elsewhere and the State's response to requests for establishment and enforcement of support owed by its residents to children residing elsewhere. Finally, the commissions are to focus upon the need for additional State or Federal legislation which may be needed to obtain support for all children.

Each State's commission, which is to be appointed by the governor of the State is to be broadly representative of all aspects of the child support system. The Commissions shall include, for example, representation from both custodial and non-custodial parents, the agencies or organizational units administering the State's Title IV-D program, officers or officials of the State judicial system, execu-

tive and legislative branches who deal with child support matters, and child welfare and social services agencies plus any additional representation which may be appropriate such as, for example, attorneys whose practices includes establishment and enforcement of child support, members of the clergy and family counselors.

Commissions are to be appointed within 30 days after enactment of this Act and are to make a full and complete report of their findings and recommendations available to the public no later than October 1, 1985. The Governor of each State is to transmit the report of the State's commission to the Secretary of Health and Human Services along with his comments.

The bill specifically provides that in-state travel costs, and such other costs incurred by the commissioners or their members as the Secretary may allow in regulations, will be eligible for the Federal 70 percent match of States' Title IV-D administrative costs. This authority is intended to cover travel costs to the State capital or other meeting place in the State, and includes incidental costs such as copying, providing meeting rooms and the like. It is not intended to cover consultant fees or grants for studies.

Under certain circumstances, States will not be required to establish commissions. On the basis of information submitted or available to the Secretary, States which are judged to have implemented objective standards for determining child support obligations, which have had such commissions within the 5 year prior to the enactment of this Act, or which are making satisfactory progress toward fully effective child support enforcement and will continue to do so can be exempted, at their request, from the requirement to establish a child support commission.

Wisconsin child support initiative: (Section 15 of the bill)

The State of Wisconsin is planning to undertake a major experiment which involves both its child support enforcement and AFDC programs. The initiative is aimed at assuring an adequate system of collection and disbursement to reduce both the financial burden for custodial parents and State public assistance programs and the debilitating effects of the "Welfare stigma" on children. Wisconsin intends to test the following basic concepts in demonstration counties whose judges voluntarily cooperate:

—Automatic payroll withholding for all child support obligations;
—Determination of support obligations through a statutorily-mandated formula based upon non-custodial parent income and the number of children;
—Rapid response to delinquency;
—Creation of a uniform child support payment system for all children in single parent families; and
—A guaranteed minimum benefit for all children, with public subsidy of payments for those children whose parents lack sufficient income, after taking into account a custodial parent "surcharge" equal to one-half of support owed by the absent parent to assure that public funds do not subsidize children whose custodial parents have adequate income.

The proposals will be tested in phases, the first of which has already begun with payroll withholding for all new child support cases and an improved interstate collection system. The payment

formula is going to be piloted in selected counties. In January, 1984, computerized recordkeeping and delinquency response will begin in selected counties. A year later, minimum benefit and custodial parent "surcharges" will be begin. If these steps prove successful, statutory authority will be sought to implement the reform on all new support cases, making child support determination, collection and payment primarily an administrative process and greatly reducing the workload of the courts.

In order to conduct this intitative, a number of statutory requirements under both the Title IV-A (AFDC) and IV-D (child support enforcement) programs must be waived. The bill directs the Secretary of Health and Human Services to grant such waivers upon a determination, first, that the purpose of the waivers is (A) to provide the State with flexibility in the methods and procedures to be used to assist single-parent households in obtaining adequate child support (including the provision of such assistance where no application has been made for Title IV-D sevices), (B) to permit the State to limit the testing of the initiative to specified areas of the State, or to test alternatives in different sub-State areas, (C) to permit the State to establish payment methods or procedures designed to reinforce parental responsibility for the child, and (D) to permit the State to use Federal AFDC payments to ensure that there is an adequate level of support for children when non-custodial parents' contributions are inadequate (including cases where the family is ineligible for AFDC because of income or assets), and second, that the granting of the waivers will improve the financial well-being of children in the State and will not have the effect of disadvantaging children in need of support. Finally, section 15 provides that the total AFDC costs to the Federal government in connection with the Wisconsin initiative may not be higher than the costs which would be incurred by the Federal government during the same period under the regular AFDC program.

Section 15 is effective upon enactment October 1, 1983.

Medical support: (Section 16 of the bill)

The bill requires the Secretary of Health and Human Services to issue regulations requiring State Title IV-D agencies to seek medical support as part of any child support order whenever health care coverage for a child is available to the absent parent at a reasonable cost. These regulations are to also provide for improved information exchange between State child support enforcement agencies and the State agencies administering medicaid.

In many cases, non-custodial parents can have their children included in an employment-related health benefit or health insurance program at little or no additional cost to the parent. The purpose of this provision in the bill is to require States to seek such employment-based coverage for AFDC and non-AFDC children for whom it is also seeking financial support provided that the custodial parent does not have access to similar benefits. Such employment-related benefits include, in addition to health coverage provided by a parent's current employer, coverage provided in connection with a retirement, disability or unemployment plan, by a union plan, or by some other group plan which offers comprehensive benefits. It is not the Committee's intention that non-custodial

parents be required to purchase individual health coverage for their children.

The inclusion of AFDC children in their absent-parents' health coverage is expected to reduce Medicaid program costs by $100 million in FY 1985 and more thereafter. Coverage of non-AFDC children in their absent-parents' health benefits will permit financial support to be used to meet children's other needs and in some cases, may result in better health care than the custodial parent could afford to provide.

Parent locator service: (Section 17 of the bill)

Under present law, States must first determine that an absent parent cannot be located through the procedures under the control of the Title IV-D agency before turning to the Federal parent locator service. This is not cost effective and may delay needlessly the location of a parent which must precede other child support enforcement procedures. The bill deletes this requirement so that States can access the Federal parent locator service without first having to exhaust all of its other resources for locating parents.

Section 17 is effective upon enactment.

Four-month continuation of medicaid: (Section 18 of the bill)

Under present law, when child support collections for an AFDC family raise family income over AFDC benefit levels, the family's AFDC benefits are terminated, and along with them, eligibility for Medicaid as well (unless the State covers the family under a program for the medically-needy). This occurs even if the child support collections exceed the AFDC benefit by minimal amounts.

In order to allow a transition period so that former-AFDC families can make alternative arrangements for meeting health needs, the bill extends medicaid eligibility for 4 months after the termination of AFDC benefits due to a change in child support levels. This provision applies to families whch received AFDC in at least 3 of the 6 months immediately prior to the termination of AFDC benefits.

Section 18 is effective upon enactment.

The Committee received the following letter from the Committee on Energy and Commerce pertaining to this section.

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON ENERGY AND COMMERCE,
Washington, D.C., November 9, 1983.

Hon. DAN ROSTENKOWSKI,
Chairman, Committee on Ways and Means, U.S. House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: It is our understanding that your Committee has ordered reported H.R. 4325, the Child Support Enforcement Amendments of 1983, with an amendment related to collection of support payments which has an impact on Medicaid eligibility. Specifically, your Committee recommended a four-month extension of Medicaid eligibility for families who lose AFDC coverage resulting from the collection of support payments.

This provision, designed to provide a reasonable transition period before Medicaid coverage terminates, clearly increases the effec-

tiveness of the basic support collection provision. It is a reasonable adjunct to the provision included in the Ways and Means bill.

I have conferred with Chairman Waxman of the Subcommittee on Health and the Environment on this amendment. Although the provision impacts Medicaid, which is in the jurisdiction of the Committee on Energy and Commerce, we have no objection to its inclusion in the Ways and Means bill, nor will we request sequential referral of the legislation on the basis of this provision. This is done with the understanding that it does not compromise our jurisdiction over Title XIX or our right to be represented on Medicaid provisions in conference if substantial changes are made.

Sincerely,

JOHN D. DINGELL, *Chairman.*

V. BUDGET EFFECTS OF THE BILL

1. COMMITTEE ESTIMATE

In compliance with clause 7(a) of Rule XIII of the Rules of the House of Representatives the following statement is made: the Committee agrees with the cost estimate prepared by the Congressional Budget Office which is included below. This estimate indicates federal budgetary savings of $17 million, $54 million and $78 million for fiscal years 1984 to 1986 respectively. Child support collections as a result of the bill will be significantly greater than the federal budgetary savings particularly in fiscal year 1986 and beyond. The estimate for this legislation required many assumptions and the impact of the bill upon child support collections may be understated.

2. STATEMENT REGARDING NEW BUDGET AUTHORITY AND TAX EXPENDITURES

With respect to clause 2(l)(3)(B) of Rule XI of the Rules of the House, the Committee advises that the required information pertaining to new budget authority or new or increased tax expenditures, to the extent applicable to this bill, is contained in the Congressional Budget Office cost estimate included below.

3. COST ESTIMATE PREPARED BY THE CONGRESSIONAL BUDGET OFFICE

In compliance with clause 2(l)(3)(C) of rule XI, requiring a cost estimate prepared by the Congressional Budget Office, the following report prepared by the Congressional Budget Office is provided.

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, D.C., November 10, 1983.

Hon. DAN ROSTENKOWSKI,
Chairman, Committee on Ways and Means, U.S. House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: Pursuant to Section 403 of the Congressional Budget Act of 1974, the Congressional Budget Office has prepared the attached cost estimate for H.R. 4325, the Child Support Enforcement Amendments of 1983, as ordered reported by the House Ways and Means Committee on November 9, 1983.

Should the Committee so desire, we would be pleased to provide further details on this estimate.

Sincerely,

RUDOLPH G. PENNER, *Director.*

CONGRESSIONAL BUDGET OFFICE—COST ESTIMATE

1. Bill No.: H.R. 4325.
2. Bill title: Child Support Enforcement Amendments of 1983.
3. Bill status: As ordered reported by the House Ways and Means Committee on November 9, 1983.
4. Bill purpose: To amend part D of Title IV of the Social Security Act to reform the Child Support Enforcement program.
5. Estimated cost to the Federal Government: The estimated costs of this bill to the federal government are shown in table 1. These estimates assume an enactment date of November 30, 1983.

TABLE 1.—ESTIMATED BUDGETARY EFFECTS OF H.R. 4325

[By fiscal year, in millions of dollars]

Budget Function	1984	1985	1986	1987	1988
Direct spending: Function 550:					
Estimated budget authority [1]	−17	−84	−98	−107	−127
Estimated outlays	−17	−84	−98	−107	−127
Function 600:					
Estimated budget authority [1]		15	5	25	40
Estimated outlays		15	5	25	40
Authorizations: Function 600:					
Authorization change [1]		15	15	15	15
Estimated outlays		15	15	15	15
Total:					
Estimated budget authority/authorization change	−17	−54	−78	−67	−72
Estimated outlays	−17	−54	−78	−67	−72

[1] Funding that requires appropriations action.

Basis for estimate: This bill would reform the Child Support Enforcement (CSE) program in a variety of ways. Among these reforms, the most important with respect to budgetary effects would be a change in incentive payments to states, authorization of $15 million annually for the funding of special projects on interstate cases, mandating states to utilize certain enforcement techniques, requiring the Department of Health and Human Services to issue regulations that would provide for the inclusion of medical support in child support orders, and provision of Medicaid for four months to families removed from AFDC as a result of increases in child support. Estimates of the budgetary effects of these reforms are based on incomplete information and there is a wide margin of uncertainty associated with them. There are no hard data or reliable analyses and research on which estimates can be based. Moreover, CSE programs vary considerably among states and localities so that national estimates are difficult, particularly since states and localities may react quite differently to legislative changes.

Table 2 shows CBO's federal outlay estimates for the major provisions of the bill with budgetary effects. A description of the methodology used for the estimates follows.

TABLE 2.—ESTIMATED OUTLAYS FROM THE MAJOR PROVISIONS IN H.R. 4325

[By fiscal year, in millions of dollars]

Provision	1984	1985	1986	1987	1988
Change in incentive payment			15	15	15
Authorization of funds for interstate projects		15	15	15	15
Mandating of State enforcement techniques			−40	−40	−45
Require regulation on medical support	−30	−100	−112	−125	−139
Provide medicaid for 4 months	13	21	24	28	32
Other		5	10	15	10
Impact on CSE case levels:					
CSE expenditures		10	30	55	90
Offsetting effects on public assistance		−5	−20	−30	−50
Total outlays	−17	−54	−78	−67	−72

Change in incentive payment.—The current federal incentive payment to states and localities to help finance the CSE program is equal to 12 percent of collections made on behalf of AFDC families. This bill would repeal this incentive payment on October 1, 1985 and would institute new incentives. The new incentives would be equal to 4 percent of AFDC collections and 4 percent of non-AFDC collections, each rising to 10 percent on a sliding scale depending on the ratio of collections to total administrative costs. The incentive paid on non-AFDC collections would be capped at 125 percent of the incentive paid on AFDC collections. In fiscal year 1986, the states would receive no less than 80 percent of what they would have received under current law.

CBO estimates that the new incentives would add $15 million a year to outlays beginning in 1986. These estimates are based on state-by-state projections of CSE collections and costs consistent with total program collections and costs as estimated in CBO's baseline projections.

Authorization of funds for interstate projects.—The authorization of $15 million annually for projects on interstate collection of child support would be effective beginning in fiscal year 1985. CBO assumes full appropriation of the authorized amounts. Moreover, the estimate of outlays assumes full spending of the authorized levels in each fiscal year.

Mandating of State enforcement techniques.—The bill would require states to adopt by October 1, 1985 several enforcement techniques that are currently optional with the states. CBO estimates that this provision would reduce outlays $40 million a year in 1986 and 1987 and $45 million in 1988.

The most important technique that would be mandated is wage withholding, which is the payment of support by an employer from the wages of the absent parent. The bill would require withholding when past due support equals one month's support payment. This would apply to approximately 35 percent of current collections for which wage withholding is not now utilized. There are no reliable analyses of the effect of wage withholding on child support collections or expenditures. The CBO estimate assumes that such collections would rise 10 percent as a result of wage withholding. Further, it is assumed that administrative costs would decline by 5 percent as a result of wage withholding because overdue support

with its attendant court and other costs would be reduced. Resulting reductions in federal outlays are estimated to be $25 million a year in 1986 and 1987 and $30 million in 1988.

Other mandated enforcement techniques include withholding from state income tax refunds of support to AFDC families that is past due, procedures for imposing liens against real and personal property for amounts of past-due support, imposition of guarantees or bonds to secure support from absent parents with a pattern of past-due support, and reporting of past-due support to credit agencies at their request. CBO estimates that outlays would be reduced by $15 million a year in 1986, 1987, and 1988 as a result of these mandatory enforcement techniques, based on Administration estimates.

Require regulation on medical support.—The bill would require the Secretary of the Department of Health and Human Services to issue regulations that would require the state agencies administering the child support enforcement program to petition courts to include medical support as part of any child support order whenever health care coverage is available to the absent parent at reasonable cost. These savings are based on the Administration's estimate of about 600,000 eligible children. The average federal savings per child are estimated to be about $175 in 1984. The savings are assumed to be phased in over the year in 1984 as cases are brought before the courts. As shown in Table 2, CBO estimates savings of $30 million in 1984, rising to $139 million in 1988.

Provide medicaid for 4 months.—The bill would provide Medicaid coverage for 4 months to families that are removed from AFDC because of increased child support. This provision is estimated to add $13 million to outlays in 1984 and $32 million by 1988.

These costs are based on an estimated 65,000 families in 1984 rising to 85,000 in 1988 who would be removed from AFDC as a result of child support. Estimated families are based on reported data for 1982. Further, it is estimated that 71 percent of these families would not qualify for the medically needy program in Medicaid, which is irrespective of receipt of AFDC. Medicaid costs per family for the four months are estimated to be $380 in 1984, rising to $520 in 1988.

Other.—Several provisions of the bill would be likely to result in added outlays by the states for automatic data processing (ADP) systems, which are subject to a federal match of 90 percent. The bill would permit the use of these funds for systems that would improve wage withholding and for the acquisition of computer hardware. CBO estimates that federal outlays would rise by $5–15 million a year with the need for, and acquisition of, more ADP systems.

The bill has many other provisions that are not discussed here. They are estimated to have insignificant effects on outlays.

Impact on CSE case levels.—The intent of this bill is to improve the effectiveness of the CSE program with respect to increasing child support collections, particularly for non-AFDC families. A number of the provisions of the bill are likely to bring more non-AFDC families into the CSE program than would have occurred without this legislation. It is, of course, impossible to know how many such new families would come into the program. The CBO

estimate assumes that of the potential CSE families not expected to use the program under current law, 5 percent would come onto the program as a result of this bill in 1985 and 20 percent would come on by 1988. The resultant numbers of new CSE families total 100,000 in 1985 and 620,000 by 1988. The CSE cost of servicing each of these new families is estimated to be $176 a year in 1985, rising to $204 by 1988. Given the federal share of 70 percent, federal outlays are estimated to rise as a result of these new cases by about $10 million in 1985 and $90 million by 1988, as shown in Table 2.

These added outlays would be partially offset by reduced public assistance expenditures on these families as a result of increased child support collections. There are no reliable studies of the reduced public assistance costs that result from increases in child support collections for non-AFDC families. However, one recent study based on a few counties did report that 25 percent of non-AFDC cases received public assistance during the first year after their cases were opened and that on average per case $500 less a year in public assistance was received where child support was paid. Based on these findings, the study estimated that public assistance savings (federal plus state) in fiscal year 1981 were about $55 million. This represented 5.7 percent of non-AFDC collections and comparable savings to the federal government alone were 4.4 percent of collections. These estimated savings are too low, primarily because Medicaid was not included.

The CBO estimates consequently assume that reduced federal public assistance expenditures would equal 10 percent of the added collections for the new CSE families. Collections are assumed to rise by the same percentages as cases rise. The added collections are estimated to total $75 million in 1985 and $495 million in 1988. The federal shares of the reduced public assistance expenditures, as shown in Table 2, are then estimated to be about $5 million in 1984 and $50 million in 1988.

6. Estimated cost to State and local governments: Most of the bill's provisions that would affect federal outlays would also change State and local government expenditures. The table shows these changes by provision, and they are discussed, in turn, below.

TABLE 3.—ESTIMATED CHANGES IN STATE AND LOCAL EXPENDITURES

[By fiscal year, in millions of dollars]

Provisions	1984	1985	1986	1987	1988
Changes in incentive payment			−15	−15	−15
Authorization of funds for interstate projects		0	0	0	0
Mandating of State enforcement techniques			−55	−55	−60
Require regulation on medical support	−26	−85	−95	−106	−118
Provide medicaid for 4 months	11	18	20	24	27
Other		0	1	1	1
Impact on CSE Case Levels:					
CSE expenditures		5	15	25	40
Offsetting effects on public assistance		−5	−15	−20	−30
Total	−15	−67	−144	−146	−155

The altered incentives would provide states and localities with $15 million in added funds annually beginning in 1986. This would equal the cost of the altered incentives to the federal government.

The authorization of funds for interstate projects should not alter significantly the states' budgetary situation because Congressional intent is that these funds should be used to augment and improve existing state efforts. However, there might be some substitution of these funds for current and planned state efforts in interstate collections.

Mandating of state enforcement techniques would increase child support collections on behalf of AFDC families, reducing their AFDC benefits dollar for dollar. The states' share of these reduced benefits is 46 percent and states would also receive incentive payments for the added collections. As a result, state expenditures would be reduced by $55 million a year in 1986 and 1987 and by $60 million in 1988.

The state's share of Medicaid outlays in 46 percent. Consequently, they would have reduced expenditures as a result of the mandated regulation on medical support. On the other hand, expenditures would rise as a result of the four-month extension of Medicaid to families removed from AFDC because of increased child support.

Other provisions of the bill would have little effect on state and local government expenditures. Increased expenditures of ADP systems would have little effect because the state's share is only 10 percent.

The estimated increase in new families coming onto the CSE program as a result of this bill would raise state and local expenditures by the states' 30 percent financing share. Partially offsetting these added expenditures would be reduced public assistance outlays, reflecting states' 46 percent share of AFDC and Medicaid.

7. Estimate comparison: None.

8. Previous CBO estimate: None.

9. Estimate prepared by: Janice Peskin (226–2835), Hinda Ripps Chaikind (226–2820).

10. Estimate approved by: C. G. Nuckols (For James L. Blum, Assistant Director for Budget Analysis).

VI. Others Matters Required To Be Discussed Under the Rules of the House

1. VOTE OF THE COMMITTEE

In compliance with clause 2(l)(2)(B) of the rule XI, the following statement is made: the bill, H.R. 4325, as amended was ordered favorably reported to the House of Representatives by a voice vote.

2. OVERSIGHT FINDINGS

In compliance with clause 2(l)(3)(A) of the rule XI, the Committee states that the provisions of this bill are consistent with its oversight findings, as discussed in the Explanation and Justification section of this report.

3. OVERSIGHT BY COMMITTEE ON GOVERNMENT OPERATIONS

With respect to clause 2(l)(3)(D) of rule XI, the committee advises that no oversight findings or recommendations have been submitted to the Committee by the Committee on Government Operations regarding the subject of this bill.

4. INFLATION IMPACT

In compliance with clause 2(l)(4) of the rule XI, the Committee states that the enactment of this bill is not expected to have any singificant inflationary impact on prices and costs in the operation of the national economy.

VII. Changes in Existing Law Made by the Bill, As Reported

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

Social Security Act

* * * * * * *

TITLE IV—GRANTS TO STATES FOR AID AND SERVICES TO NEEDY FAMILIES WITH CHILDREN AND FOR CHILD-WELFARE SERVICES

* * * * * * *

Part A—Aid to Families With Dependent Children

* * * * * * *

STATE PLANS FOR AID AND SERVICES TO NEEDY FAMILIES WITH CHILDREN

Sec. 402. (a) A State plan for aid and services to needy families with children must (1) * * *

* * * * * * *

(27) provide that the State has in effect a plan approved under part D and [operate a child support program in conformity with such plan], *operate a child support program in substantial compliance with such plan;*

* * * * * * *

PAYMENT TO STATES

Sec. 403. (a) * * *

* * * * * * *

[(h) Notwithstanding any other provision of this Act, the amount payable to any State under this part for quarters in a fiscal year shall with respect to quarters beginning after December 31, 1976, be reduced by 5 per centum of such amount if such State

is found by the Secretary as the result of the annual audit to have failed to have an effective program meeting the requirements of section 402(a)(27) in any fiscal year beginning after September 30, 1976 (but, in the case of the fiscal year beginning October 1, 1976, only considering the second, third, and fourth quarters thereof).]

(h) In any case where a State's program operated under part D is found by the Secretary as a result of a review conducted under section 452(a)(4) not to meet the requirements of such part, and where corrective action within such period or periods as the Secretary may by regulation prescribe has not been adequate to place the program (after such period or periods) in substantial compliance with all such requirements, the amount otherwise payable to such State under this part for any quarter beginning after September 30, 1983, and after the close of the applicable period for corrective action, shall be reduced by—

(1) not more than 2 per centum, or

(2) not more than 3 per centum, if the finding is the second consecutive such finding made as a result of such a review, or

(3) not more than 5 per centum, if the finding is the third or a subsequent consecutive such finding made as a result of such a review;

and such reduction shall continue until the first subsequent quarter throughout which the program is found to meet all such requirements.

* * * * * * *

DEFINITIONS

SEC. 406. When used in this part—

(a) * * *

* * * * * * *

(h) Each dependent child, and each relative with whom such a child is living (including the spouse of such relative as described in subsection (b)), who becomes ineligible for aid to families with dependent children as a result (wholly or partly) or the collection or increased collection of child or spousal support under part D, and who had received such aid in at least three of the six months immediately preceding the month in which such ineligibility begins, shall be deemed to be a recipient of aid to families with dependent children for purposes of title XIX for an additional four calendar months beginning with the month in which such ineligibility begins.

* * * * * * *

PART D—CHILD SUPPORT AND ESTABLISHMENT OF PATERNITY

APPROPRIATION

SEC. 451. For the purpose of enforcing the support obligations owed by absent parents to their children and the spouse (or former spouse) with whom such children are living, locating absent parents, establishing paternity, [and obtaining child and spousal support,] *obtaining child and spousal support, and assuring that as-*

sistance in obtaining support will be available under this part to all children (whether or not eligible for aid under part A) for whom such assistance is requested, there is hereby authorized to be appropriated for each fiscal year a sum sufficient to carry out the purposes of this part.

DUTIES OF THE SECRETARY

SEC. 452. (a) The Secretary shall establish, within the Department of Health, Education, and Welfare a separate organizational unit, under the direction of a designee of the Secretary, who shall report directly to the Secretary and who shall—

(1) establish such standards for State programs for locating absent parents, establishing paternity, and obtaining child support and support for the spouse (or former spouse) with whom the absent parent's child is living as he determines to be necessary to assure that such programs will be effective;

(2) establish mimimum organizational and staffing requirements for State units engaged in carrying out such programs under plans approved under this part;

(3) review and approve State plans for such programs;

[(4) evaluate the implementation of State programs established pursuant to such plan, conduct such audits of State programs established under the plan approved under this part as may be necessary to assure their conformity with the requirements of this part, and, not less often than annually, conduct a complete audit of the programs established under such plan in each State and determine for the purposes of the penalty provision of section 403(h) whether the actual operation of such programs in each State conforms to the requirements of this part;]

(4) conduct a review of such State's program pursuant to such plan, no less frequently than once every three years, in order to determine whether such program substantially complies with the requirements of this part and to evaluate its effectiveness in carrying out the purpose of this part;

(5) assist States in establishing adequate reporting procedures and maintain records of the operations of programs established pursuant to this part in each State;

(6) maintain records of all amounts collected and disbursed under programs established pursuant to the provisions of this part and of the costs incurred in collecting such amounts;

(7) provide technical assistance to the States to help them establish effective systems for collecting child and spousal support and establishing paternity;

(8) receive applications from States for permission to utilize the courts of the United States to enforce court orders for support against absent parents and, upon a finding that (A) another State has not undertaken to enforce the court order of the originating State against the absent parent within a reasonable time, and (B) that utilization of the Federal courts is the only reasonable method of enforcing such order, approve such applications;

(9) operate the Parent Locator Service established by section 453; and

(10) not later than three months after the end of each fiscal year, beginning with the year 1977, submit to the Congress a full and complete report on all activities undertaken pursuant to the provisions of this part, which report shall include, but not be limited to, the following:

(A) total program costs and collections set forth in sufficient detail to show the cost to the State and the Federal Government, the distribution of collections to families, State and local government units, and the Federal Government; and an identification of the financial impact of the provision of this part;

(B) costs and staff associated with the Office of Child Support Enforcement;

(C)*(i)* the number of child support cases (with separate identification of the number in which collection of spousal support was involved) in each State during each quarter of the fiscal year last ending before the report is submitted and during each quarter of the preceding fiscal year (including the transitional period beginning July 1, 1976, and ending September 30, 1976, in the case of the first report to which this subparagraph applies), and the disposition of such cases;

(ii) the payment status of all active child support cases in each State at the time the report is submitted (with a separate description of those cases which are interstate in nature), as more particularly set forth in subsection (f);".

* * * * * * *

(f)(1) The information with respect to active child support cases in each State which is required by subparagraph (C)(i) of subsection (a)(10) to be contained in any report submitted under such subsection shall specifically include the following, separately stated for each of the 12 categories of cases specified in paragraph (2):

(A)(i) The total number of such child support cases (filed with the State agency of such State under this part) in which the full amount of the support obligation has been paid for all months in the particular fiscal year to which the report relates, with the amounts of the support obligations involved in those cases;

(ii) the total number of such cases in which at least 90 percent but less than the full amount of the support obligation has been so paid, with the amount of the support obligations established and support collections made in those cases;

(iii) the total number of such cases in which at least 66⅔ percent but less than 90 percent of the support obligations has been so paid, with the amounts of the support obligations established and support collections made in those cases;

(iv) the total number of such cases in which at least 33⅓ percent but less than 66⅔ percent of the support obligation has been so paid, with the amount of the support obligations established and support collections made in those cases;

(v) the total number of such cases in which some but less than 33⅓ percent of the support obligation has been so paid, with the amount of the support obligations established and support collections made in those cases; and

(vi) the total number of such cases in which no part of the support obligation has been paid, with the amounts of the obligations involved in those cases; and

(B) the number of such child support cases (filed with the State agency of such State under this part), in each of the six subclasses described in clauses (i) through (vi) of subparagraph (A) within each of such categories, which were filed in such State on behalf of children residing in another State or against parents residing in another State in the particular fiscal year to which the report relates, specifying (for each such subclass)—

(i) the total number of such cases which were initiated in the State of filing, with the amounts of the support obligations established and support collections made in those cases,

(ii) the number of such cases which were initiated in another State (identifying each such State by name) and in which the State of filing was requested to take action to establish paternity, obtain support obligations, or collect support,

(iii) the number of the cases described in clause (ii) in which action was taken in response to the request, and

(iv) the actions (described in clause (ii)) which were so taken.

Such information shall also include any other matter which the Secretary may deem necessary for an effective assessment of the current status of interstate child support collections.

(2) The categories of child support cases (filed with the State agency of a State under this part) with respect to which information is to be provided in the report, under subparagraphs (A) and (B) of paragraph (1), shall include—

(A) four categories of cases in which the support rights involved are assigned to the State under section 402(a)(26) and in which the child is currently receiving aid to families with dependent children, as follows:

(i) all such cases in which a support obligation has been established,

(ii) all such cases in which a new or increased support obligation was so established during the particular fiscal year to which the report relates,

(iii) those cases described in clause (i) in which support was collected under this part during such fiscal year, and

(iv) those cases described in clause (ii) in which support was collected under this part during such fiscal year;

(B) four categories of cases in which the support rights involved are assigned to the State under section 402(a)(26) but in which the child is not currently receiving aid to families with dependent children, as follows:

(i) all such cases in which a support obligation has been established,

(ii) all such cases in which a new or increased support obligation was so established during the particular fiscal year to which the report relates,

(iii) those cases described in clause (i) in which support was collected under this part during such fiscal year, and

(iv) those cases described in clause (ii) in which support was collected under this part during such fiscal year, and

(C) four categories of cases to which neither subparagraph (A) nor subparagraph (B) applies, as follows:

(i) all such cases in which a support obligation has been established,

(ii) all such cases in which a new or increased support obligation was so established during the particular fiscal year to which the report relates,

(iii) those cases described in clause (i) in which support was collected under this part during such fiscal year, and

(iv) those cases described in clause (ii) in which support was collected under this part during such fiscal year.

PARENT LOCATOR SERVICE

SEC. 453. * * *

* * * * * * *

(f) The Secretary, in carrying out his duties and functions under this section, shall enter into arrangements with State agencies administering State plans approved under this part for such State agencies to accept from resident parents, legal guardians, or agents of a child described in subsection (c)(3) and [, after determining that the absent parent cannot be located through the procedures under the control of such State agencies,] to transmit to the Secretary requests for information with regard to the whereabouts of absent parents and otherwise to cooperate with the Secretary in carrying out the purpose of this section.

STATE PLAN FOR CHILD AND SPOUSAL SUPPORT

SEC. 454. A State plan for child and spousal support must—

(1) provide that it shall be in effect in all political subdivisions of the State;

(2) provide for financial participation by the State;

(3) provide for the establishment or designation of a single and separate organizational unit, which meets such staffing and organizational requirements as the Secretary may by regulation prescribe, within the State to administer the plan;

(4) provide that such State will undertake—

(A) in the case of a child born out of wedlock with respect to whom an assignment under section 402(a)(26) of this title is effective, to establish the paternity of such child, unless the agency administering the plan of the State under part A of this title determines in accordance with the standards prescribed by the Secretary pursuant to section 402(a)(26)(B) that it is against the best interests of the child to do so, and

(B) in the case of any child with respect to whom such assignment is effective, *including an assignment with respect to a child on whose behalf a State agency is making foster care maintenance payments under part E,* to secure support for such child from his parent (or from any other person legally liable for such support) [and, at the option of the State], and from such parent for his spouse (or former spouse) receiving aid to families with dependent children (but only if a support obligation has been established with respect to such spouse), utilizing any reciprocal arrangements adopted with other State (unless the agency administering the plan of the State under part A *or E* of this title determines in accordance with the standards prescribed by the Secretary pursuant to section 402(a)(26)(B) that it is against the best interests of the child to do so), except that when such arrangements and other means have proven ineffective, the State may utilize the Federal courts to obtain or enforce court orders for support;

* * * * * * *

(16) provide, at the option of the State, for the establishment, in accordance with an (initial and annually updated) advance automatic data processing planning document approved under section 452(d), of an automatic data processing and information retrieval system designed effectively and efficiently to assist management in the administration of the State plan, in the State and localities thereof, so as (A) to control, account for, and monitor (i) all the factors in the support enforcement collection and paternity determination process under such plan (including, but not limited to, (I) identifiable correlation factors (such as social security numbers, names, dates of birth, home addresses and mailing addresses (including postal ZIP codes) of any individual with respect to whom support obligations are sought to be established or enforced and with respect to any person to whom such support obligations are owing) to assure sufficient compatibility among the systems of different jurisdictions to permit periodic screening to determine whether such individual is paying or is obligated to pay support in more than one jurisdiction, (II) checking of records of such individuals on a periodic basis with Federal, intra- and inter-State, and local agencies, (III) maintaining the data necessary to meet the Federal reporting requirements on a timely basis, and (IV) delinquency and enforcement activities), (ii) the collection and distribution of support payments (both intra- and inter-State), the determination, collection and distribution, of incentive payments both inter- and intra-State, and the maintenance of accounts receivable on all amounts owed, collected and distributed, and (iii) the costs of all services rendered, either directly or by interfacing with State financial management and expenditure information, (B) to provide interface with records of the State's aid to families with dependent children program in order to determine if a collection of a support payment causes a change affecting eligibility for or the amount of aid under such program (C) to provide for security against unauthorized

access to, or use of, the data in such system, [and (D)] *(D) to facilitate the development and improvement of the income withholding and other procedures required under section 466(a) through the monitoring of child support payments, the maintenance of accurate records regarding the payment of child support, and the provision of prompt notification to appropriate officials with respect to any arrearages in child support payments which may occur, and (E)* to provide management information on all cases under the State plan from initial referral or appliction through collection and enforcement;

(18) provide that the State has in effect procedures necessary to obtain payment of past-due support from overpayments made to the Secretary of the Treasury as set forth in section 464, and take all steps necessary to implement and utilize such procedures; [and]

(19) provide that the agency administering the plan—

(A) shall determine on a periodic basis, from information supplied pursuant to section 508 of the Unemployment Compensation Amendments of 1976, whether any individuals receiving compensation under the State's employment compensation law (including amounts payable pursuant to any agreement under any Federal unemployment compensation law) owe child support obligations which are being enforced by such agency, and

(B) shall enforce any such child support obligations which are owed by such an individual but are not being met—

(i) through an agreement with such individual to have specified amounts withheld from compensation otherwise payable to such individual and by submitting a copy of any such agreement to the State agency administering the unemployment compensation law, or

(ii) in the absence of such an agreement, by bringing legal process (as defined in section 462(e) of this Act) to require the withholding of amounts from such compensation[.];

(20) provide that (subject to section 466(d)) the State (A) will have in effect all of the laws required by section 466, and (B) will implement the procedures (designed to improve child support enforcement effectiveness) which are embodied or prescribed in such laws; and

(21) provide that the State will regularly and frequently publicize, through public service announcements and other means, the availability of child support enforcement services under the plan and otherwise, including information as to any application fees which may be imposed for such services and a telephone number or postal address at which further information may be obtained.

PAYMENTS TO STATES

SEC. 455. (a) From the sums appropriated therefor, the Secretary shall pay to each State for each quarter, beginning with the quarter commencing July 1, 1975, an amount—

(1) equal to 70 percent of the total amounts expended by such State during such quarter for the operation of the plan approved under section 454,

(2) equal to 50 percent of the total amounts expended by such State during such quarter for the operation of the plan approved under section 454 except as is provided by a waiver by the Secretary which is granted pursuant to specific authority set forth in the law, and

(3) equal to 90 percent (rather than the percent specified in clause (1) or (2)) of so much of the sums expended during such quarter as are attributable to the planning, design, development, installation or enhancement of an automatic data processing and information retrieval system *(including the hardware components thereof)* which the Secretary finds meets the requirements specified in section 454(16), *or meets such requirements without regard to clause (D) thereof*;

* * * * * * *

(e)(1) In order to encourage and promote the development and use of more effective methods of enforcing support obligations under this part in cases where either the children on whose behalf the support is sought or their absent parents do not reside in the State where such cases are filed, the Secretary is authorized to make grants, in such amounts and on such terms and conditions as the Secretary determines to be appropriate, to States which propose to undertake new or innovative methods of support collection in such cases and which will use the proceeds of such grants to carry out special projects designed to demonstrate and test such methods.

(2) A grant under this subsection shall be made only upon a finding by the Secretary that the project involved is likely to be of significant assistance in carrying out the purpose of this subsection; and with respect to such project the Secretary may waive any of the requirements of this part which would otherwise be applicable, to such extent and for such period as the Secretary determines is necessary or desirable in order to enable the State to carry out the project.

(3) At the time of its application for a grant under this subsection the State shall submit to the Secretary a statement describing in reasonable detail the project for which the proceeds of the grant are to be used, and the State shall from time to time thereafter submit to the Secretary such reports with respect to the project as the secretary may specify.

(4) Amounts expended by a State in carrying out a special project assisted under this section shall be considered, for purposes of section 458(b) (as amended by section 6(a) of the Child Support Enforcement Amendments of 1983), to have been expended for the operation of the State's plan approved under section 454.

(5) There is authorized to be appropriated the sum of $15,000,000 for each fiscal year beginning with the fiscal year 1985, to be used by the Secretary in making grants under this subsection.

SUPPORT OBLIGATIONS

SEC. 456. (a) The support rights assigned to the State under section 402(a)(26) *or secured on behalf of a child receiving foster care maintenance payments* shall constitute an obligation owed to such State by the individual responsible for providing such support. Such obligation shall be deemed for collection purposes to be collectible under all applicable State and local processes.

(1) The amount of such obligation shall be—

(A) the amount specified in a court order which covers the assigned support rights, or

(B) if there is no court order, an amount determined by the State in accordance with a formula approved by the Secretary, and

(2) Any amounts collected from an absent parent under the plan shall reduce, dollar for dollar, the amount of his obligation under paragraphs (1) (A) and (B).

(b) A debt which is a child support obligation assigned to a State [under section 402(a)(26)] *(under section 402(a)(26) or otherwise, in connection with the provision of services under this part)* is not released by a discharge in bankruptcy under title 11, United States Code.

DISTRIBUTION OF PROCEEDS

SEC. 457. (a) * * *

(b) The amounts collected as support by a State pursuant to a plan approved under this part during any fiscal year beginning after September 30, 1976, shall (subject to subsection (d)) be distributed as follows:

(1) such amounts as are collected periodically which represent monthly support payments shall be retained by the State to reimburse it for assistance payments to the family during such period (with appropriate reimbursement of the Federal Government to the extent of its participation in the financing);

(2) such amounts as are in excess of amounts retained by the State under paragraph (1) and are not in excess of the amount required to be paid during such period to the family by a court order shall be paid to the family; and

(3) such amounts as are in excess of amounts required to be distributed under paragraphs (1) and (2) shall be (A) retained by the State (with appropriate reimbursement of the Federal Government to the extent of its participation in the financing) as reimbursement for any past assistance payments made to the family for which the State has not been reimbursed or (B) if no assistance payments have been made by the State which have not been repaid, such amounts shall be paid to the family.

(c) Whenever a family for whom support payments have been collected and distributed under the plan ceases to receive assistance under part A of this title, the State [may] *shall*—

(1) continue to collect amounts of support payments which represent monthly support payments from the absent parent for a period of not to exceed three months from the month following the month in which such family ceased to receive assist-

ance under part A of this title, and pay all amounts so collected, which represent monthly support payments, to the family; and

(2) at the end of such three-month period, if the State is authorized to do so by the individual on whose behalf the collection will be made, continue to collect amounts of support payments which represent monthly support payments from the absent parent and pay [the net amount of] any amount so collected, which represents monthly support payments, [to the family after deducting any costs incurred in making the collection from the amount of any recovery made,] *to the family (without requiring any formal reapplication and without the imposition of any application fee) on the same basis as in the case of other individuals who are not receiving assistance under part A of this title.*

and so much of any amounts of support so collected as are in excess of the payments required to be made in paragraph (1) shall be distributed in the manner provided by subsection (b)(3) (A) and (B) with respect to excess amounts described in subsection (b).

(d) Notwithstanding the preceding provisions of this section, amounts collected by a State as child support for months in any period on behalf of a child for whom a public agency is making foster care maintenance payments under part E—

(1) shall be retained by the State to the extent necessary to reimburse it for the foster care maintenance payments made with respect to the child during such period (with appropriate reimbursement of the Federal Government to the extent of its participation in the financing);

(2) shall be paid to the public agency responsible for supervising the placement of the child to the extent that the amounts collected exceed the foster care maintenance payments made with respect to the child during such period but not the amounts required by a court or administrative order to be paid on behalf of the child during such period; and the responsible agency may use the payments in the manner it determines will serve the best interests of the child, including setting such payments aside for the child's future needs or making all or a part thereof available to the person responsible for meeting the child's day-to-day needs; and

(3) shall be retained by the State, if any portion of the amounts collected remains after making the payments required under paragraphs (1) and (2), to the extent that such portion is necessary to reimburse the State (with appropriate reimbursement to the Federal Government to the extent of its participation in the financing) for any past foster care maintenance payments (or payments of aid to families with dependent children) which were made with respect to the child (and with respect to which past collections have not previously been retained);

and any balance shall be paid to the State agency responsible for supervising the child care placement, for use by such agency in accordance with paragraph (2).

[INCENTIVE PAYMENT TO STATES AND LOCALITIES

[Sec. 458. (a) When a political subdivision of a State makes, for the State of which it is a political subdivision, or one State makes, for another State, or a State on its own behalf makes, the enforcement and collection of the support rights assigned under section 402(a)(26) (either within or outside of such State), there shall be paid to such political subdivision, such other State, or such State (in the case of a State which on its own behalf makes such enforcement and collection) from amounts which would otherwise represent the Federal share of assistance to the family of the absent parent an amount equal to 12 percent of any amount collected and required to be distributed as provided in section 457 to reduce or repay assistance payments.

[(b) Where more than one jurisdiction is involved in such enforcement or collection, the amount of the incentive payment determined under subsection (a) shall be allocated among the jurisdictions in a manner to be prescribed by the Secretary.

[(c) No payment under the preceding provisions of this section shall be made to any State or political subdivision thereof with respect to any amount collected and distributed by it unless such amount was collected and distributed in accordance with the State plan of the State approved by the Secretary as meeting the conditions required by section 454.]

INCENTIVE PAYMENTS TO STATES

SEC. 458. (a) In order to encourage and reward State child support programs which perform in a cost-effective and efficient manner to secure support for all children who have sought assistance in securing support, whether such children reside within the State or elsewhere and whether they are eligibile or ineligible for aid to families with dependent children under a State plan approved under part A of this title (and regardless of the economic circumstances of their parents), the Secretary (subject to section 6(b) of the Child Support Enforcement Amendments of 1983) shall pay to each State for each fiscal year, on a quarterly basis (as described in subsection (d)) beginning with the quarter commencing October 1, 1985, an incentive payment equal to—

(1) 4 percent of the total amount of support collected during the fiscal year in cases (filed with the State agency under this part) in which the support obligation involved is assigned to the State pursuant to section 402(a)(26) (with such total amount for any fiscal year being hereafter referred to in this section as the State's "AFDC collections" for that year), plus

(2) 4 percent of the total amount of support collected during the fiscal year in all other cases filed with the State agency under this part (with such total amount for any fiscal year being hereafter referred to in this section as the State's "non-AFDC collections" for that year);

except that (A) if subsection (b) applies with respect to a State's AFDC collections or non-AFDC collections for any fiscal year, the percent specified in paragraph (1) or (2) (with respect to such collections) shall be increased to the higher percent determined under such subsection (with respect to such collections) in determining the

State's incentive payment under this subsection for that year, and (B) the dollar amount of the portion of the State's incentive payment for any fiscal year which is determined on the basis of its non-AFDC collections under paragraph (2) (with or without the application of subsection (b)) shall in no case exceed 125 percent of the dollar amount of the portion of such payment which is determined on the basis of its AFDC collections under paragraph (1) (with or without the application of such subsection).

(b) If the total amount of a State's AFDC collections or non-AFDC collections for any fiscal year bears a ratio to the total amount expended by the State in that year for the operation of its plan approved under section 454 (with the total amount so expended in any fiscal year being hereafter referred to in this section as the State's "combined AFDC/non-AFDC administrative costs" for that year) which is equal to or greater than 1, the percent specified in paragraph (1) or (2) of subsection (a) (with respect to such collections) shall be increased to—

(1) 5 percent, plus

(2) one-half of 1 percent for each full one-tenth by which such ratio exceeds 1;

except that the percent so specified shall in no event be increased (for either AFDC collections or non-AFDC collections) to more than 10 percent. For purposes of the preceding sentence, laboratory costs incurred in determining paternity in any fiscal year may at the option of the State be excluded from the State's combined AFDC/non-AFDC administrative costs for that year.

(c) In computing incentive payments under this section, support which is collected by one State on behalf of children residing in another State shall be treated as having been collected in full by each such State.

(d) The amounts of the incentive payments to be made to the various States under this section for any fiscal year shall be estimated by the Secretary at or before the beginning of such year on the basis of the best information available; and the Secretary shall make such payments for such year, on a quarterly basis (with each quarterly payment being made no later than the beginning of the quarter involved), in the amounts so estimated, reduced or increased to the extent of any overpayments or underpayments which the Secretary determines were made under this section to the States involved for prior periods and with respect to which adjustment has not already been made under this subsection. Upon the making of any estimate by the Secretary under the preceding sentence, any appropriations available for payments under this section shall be deemed obligated.

(e) If one or more political subdivisions of a State participate in the costs of enforcement and collection of support in cases filed with the State agency of such State during any period, such subdivision or subdivisions shall be entitled to receive an appropriate share (as determined under regulations prescribed by the Secretary) of any incentive payments made to the State under this section with respect to the period, and the State's right to receive such incentive payments shall be conditional upon its execution of an agreement satis-

factory to the Secretary to pay such share to such subdivision or subdivisions.

* * * * * * *

REQUIREMENT OF STATUTORILY PRESCRIBED PROCEDURES TO IMPROVE EFFECTIVENESS OF CHILD SUPPORT ENFORCEMENT

SEC. 466. (a) In order to be in compliance with the provisions of section 454(20)(A) at any time, each State must have enacted (and have in effect at that time) laws establishing, embodying, or requiring the use of the following procedures, consistent with regulations of the Secretary, to increase the effectiveness of the program it administers under this part:

(1) Procedures (more particularly set forth in subsection (b)) for the withholding from income of amounts payable as support.

(2) Procedures assuring (in accordance with regulations of the Secretary) that the State will make all reasonable efforts to expedite and otherwise improve the establishment of, compliance with, and enforcement of child support obligations and any related obligations arising under or in connection with the support orders involved.

(3) Procedures under which, at the request of the State child support enforcement agency, for the purpose of enforcing a support order of that or any other jurisdiction—

(A) any refund of State income tax which would otherwise be payable to an individual will be reduced, after notice to that individual of the proposed reduction and the procedures to be followed to contest it (and after full compliance with all procedural due process requirements of the State), by the amount of any past-due support (as defined in section 464(c)) owed by such individual, in every case where the support obligation involved has been assigned to the State pursuant to section 40(a)(26), and in any other case at the option of the State; and

(B) the amount by which such refund is reduced will be retained by the State for distribution in accordance with section 457(b)(3), and notice of the individual's home address will be furnished to the State agency administering the plan approved under this part.

The Secretary may prescribe regulations specifying the minimum amount of a refund, and the minimum amount of past-due support, to which the procedures required by this paragraph may apply.

(4) Procedures under which liens are imposed against real and personal property for amounts of past-due support (as so defined) owed by an absent parent who resides or owns property in the State.

(5) Procedures which permit the establishment of an individual's paternity for any child at any time prior to such child's eighteenth birthday.

(6) Procedures which require in appropriate cases that an individual give security, post a bond, or give some other guarantee to secure payment of past-due support (as so defined) if such in-

dividual is an absent parent who has a demonstrated pattern of overdue support payments, after notice to such individual of the proposed requirement and the procedures to be followed to contest it (and after full compliance with all procedural due process requirements of the State).

(7) Procedures by which information regarding the amount of past-due support (as so defined) owed by an absent parent residing in the State will be made available to any consumer credit bureau organization (as defined in section 416 of Public Law 96–374) upon the request of such organization; except that (A) if the amount of the past-due support involved in any case is less than $1,000, information regarding such amount shall be made available only at the option of the State, (B) any information with respect to an absent parent shall be made available under such procedures only after such parent has been notified of the proposed action and given a reasonable opportunity to contest the accuracy of such information (and after full compliance with all procedural due process requirements of the State), and (C) a fee for furnishing such information, in an amount not exceeding the actual cost thereof, may be imposed on the requesting organization by the State.

(8) Procedures under which child support payments under this part will be made through the State agency or other entity which administers the State's income withholding system (described in paragraph (1) and subsection (b)) in any case where either the absent parent or the custodial parent requests it, even though no arrearages in child support payments are involved and no income withholding procedures have been instituted; but in any such case an annual fee for handling and processing such payments, in an amount not exceeding the actual costs incurred by the State in connection therewith or $25, whichever is less, shall be imposed on the requesting parent by the State.

(b) Under the procedures referred to in subsection (a)(1) (relating to the withholding from income of amounts payable as support)—

(1) in the case of each absent parent against whom a support order is or has been issued or modified in the State, so much of his or her wages must be withheld, in accordance with the succeeding provisions of this subsection, as is necessary to comply with the order and to provide for the payment of any fee to the employer which may be required under paragraph (6)(A) (except that the amounts withheld shall not exceed the amounts permitted under section 303(b) of the Consumer Credit Protection Act (15 U.S.C. 1673(b)), and the amounts to be withheld to satisfy arrearages may be appropriately limited by the State law);

(2) such withholding must be initiated without the necessity of any application therefor in the case of a child (whether or not eligible for aid under part A) with respect to whom services are already being provided under this part, and will be initiated upon the filing of an application for services under this part with the State agency in the case of any other child in whose behalf a support order has been issued or modified in the State; and in either case such withholding must occur without the need for any amendment to the support order involved or for any further action by the court or other entity which issued it;

(3) such withholding must be carried out in full compliance with all procedural due process requirements of the State and must begin as soon as is administratively feasible, in any event by the earliest of (A) the date on which such procedures become effective, the date on which such order becomes effective, the date on which the payments which the absent parent has failed to make under such order are at least equal to the support payable for one month, or (if the absent parent contests the withholding) the date specified in the notice given such parent under paragraph (5)(B), whichever of the four is latest, (B) the date as of which the absent parent requests that such withholding begin, or (C) such earlier date as the State may select;

(4) such withholding must be administered by a public agency designated by the State, and the amounts withheld must be expeditiously distributed by the State or such agency in accordance with section 457 under procedures (specified by the State) which provide for the keeping of adequate records to document payments of support and permit the tracking and monitoring of such payments, except that the State may establish or permit the establishment of alternative procedures for the collection and distribution of such amounts (under the administration of such public agency) otherwise than through such public agency so long as the entity making such collection and distribution is publicly accountable for its actions taken in carrying out such procedures, and so long as such procedures will assure prompt distribution, provide for the keeping of adequate records to document payments of support, and permit the tracking and monitoring of such payments;

(5) the State (A) must provide advance notice to each individual to whom paragraph (1) applies regarding the proposed withholding and the procedures the individual should follow if he or she desires to contest such withholding on the grounds that withholding (including the amount to be withheld) is not proper in the case involved because of mistakes of fact, and (B) if the individual contests such withholding on the grounds specified in clause (A), shall determine whether such withholding will actually occur, and (if so) shall notify the individual of the date on which such withholding is to begin, within no more than 30 days after the provision of such advance notice;

(6)(A)(i) the employer of any individual to whom paragraph (1) applies, upon being given notice as described in clause (ii), must be required to withhold from such individual's wages the amount specified by such notice (which shall include a fee, established by the State in accordance with criteria prescribed by the Secretary, to be paid to the employer unless waived by him or her) and pay such amount (after deducting and retaining any portion thereof which represents the fee so established) to the appropriate State agency (or other entity authorized to collect the amounts withheld under the alternative procedures described in paragraph (4)) for distribution in accordance with section 457; and

(ii) the notice given to the employer must be a separate and distinct document, containing no matter other than the amounts to be withheld from the employee's wages, the date on

which the withholding is to begin, the amount to be retained by the employer as a fee for effectuating the withholding, and such other information as may be necessary for the employer to comply with the withholding order;

(B) methods must be established by the State to simplify the withholding process for employers to the greatest extent possible, including permitting any employer to combine all withheld amounts into a single payment to the appropriate State agency (with the portion thereof which is attributable to each individual employee being separately designated);

(C) the employer must be held liable to the State for any amount which such employer fails to withhold from wages due an employee when such amount is required under this subsection to be so withheld (up to the amount of the arrearage) following receipt by such employer of proper notice under subparagraph (A); and

(D) provision must be made for the imposition of a fine against any employer who discharges from employment, refuses to employ, or takes disciplinary action against any individual subject to wage withholding because of the existence of such withholding and the obligations or additional obligations which it imposes upon the employer;

(7) provisions must be made under State law for the priority of support collection under this subsection over any other legal process under State law against the same wages;

(8) the State may take such actions as may be necessary to extend its system of wage withholding under this subsection so that such system will include withholding from forms of income other than wages, or will include the imposition of bonding or other requirements in cases involving individuals whose income is from sources other than wages, in order to assure that child support owed by individuals in the State will be collected without regard to the types of such individuals' income or the nature of their income-producing activities;

(9) the State must make such arrangements and enter into such agreements with other States as may be necessary—

(A) to extend its withholding system under this subsection so that such system will include withholding from income derived within such State in cases where the applicable support orders were issued in other States; and

(B) to encourage the extension of the withholding systems of other States under this subsection so that such systems will include withholding from income derived in those States in cases where the applicable support orders were issued in such State,

in order to assure insofar as is possible that child support owed by individuals in such State or any other State will be collected without regard to the residence of the child for whom the support is payable or of such child's custodial parent; and

(10) provision must be made for terminating withholding.

In order to assure that income withholding as a means of collecting child support is available without the necessity of filing application for services under this part, the laws referred to in subsection (a) must require in the case of any State that all child support orders

which are issued or modified in such State on or after the effective date of this section shall include provision for withholding from income whenever arrearages occur.

(c) As used in this section, the term "wages" means any and all cash remuneration for employment, determined without regard to any exclusions from or limitations on such term (or term "employment") which may be applicable under other provisions of this Act or under other Federal, State, or local laws.

(d) If a State demonstrates to the satisifaction of the Secretary, through the presentation to the Secretary of such data pertaining to caseloads, processing times, administrative costs, and average support collections, and such other actual data or estimates as the Secretary may specify, that the enactment of any law or the use of any procedure or procedures required by or pursuant to this section will not increase the effectiveness and efficiency of the State child support enforcement program, the Secretary may exempt the State for a specified period of time, subject to the Secretary's continuing review and to termination of the exemption should circumstances change, from the requirement to enact the law or use the procedure or procedures involved.

PART E—FEDERAL PAYMENTS FOR FOSTER CARE AND ADOPTION ASSISTANCE

STATE PLAN FOR FOSTER CARE AND ADOPTION ASSISTANCE

SEC. 471. (a) In order for a State to be eligible for payments under this part, it shall have a plan approved by the Secretary which—

(1) * * *

* * * * * * *

(15) effective October 1, 1983, provides that, in each case, reasonable efforts will be made (A) prior to the placement of a child in foster care, to prevent or eliminate the need for removal of the child from his home, and (B) to make it possible for the child to return to his home; [and]

(16) provides for the development of a case plan (as defined in section 475(1)) for each child receiving foster care maintenance payments under the State plan and provides for a case review system which meets the requirements described in section 475(5)(B) with respect to each such child [.] *; and*

(17) provides that, where appropriate, all steps will be taken, including cooperative efforts with the State agencies administering the plans approved under parts A and D, to secure an assignment to the State of any rights to support on behalf of each child receiving foster care maintenance payments under this part.

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TITLE XI—GENERAL PROVISIONS AND PROFESSIONAL STANDARDS REVIEW

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PART A—GENERAL PROVISIONS

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DEMONSTRATION PROJECTS

SEC. 1115. (a) In the case of any experimental, pilot, or demonstration project which, in the judgment of the Secretary is likely to assist in promoting the objectives of title I, VI, X, XIV, XVI, or XIX, or part A *or (D)* of title IV, in a State or States—

(1) the Secretary may waive compliance with any of the requirements of section 2, 402, *454,* 602, 1002, 1402, 1602, or 1902, as the case may be, to the extent and for the period he finds necessary to enable such State or States to carry out such project, and

(2) costs of such project which would not otherwise be included as expenditures under section 3,403, *455,* 603, 1003, 1403, 1603, or 1903, as the case may be, and which are not included as part of the costs of projects under section 1110, shall, to the extent and for the period prescribed by the Secretary, be regarded as expenditures under the State plan or plans approved under such title, or for administration of such State plan or plans, as may be appropriate.

In addition, not to exceed $4,000,000 of the aggregate amount appropriated for payments to States under such titles for any fiscal year beginning after June 30, 1967, shall be available, under such terms and conditions as the Secretary may establish, for payments to States to cover so much of the cost of such projects as is not covered by payments under such titles and is not included as part of the cost of projects for purposes of section 1110.

* * * * * * *

(c) In the case of any experimental, pilot, or demonstration project undertaken under subsection (a) to assist in promoting the objectives of part D of title IV, the project—

(1) must be designed to improve the financial well-being of children, and may not permit modifications in the child support program which would have the effect of disadvantage children in need of support; and

(2) must not result in increased cost to the Federal Government under the program of aid to families with dependent children.

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